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AMERICAN  
FINANCES AND RESOURCES.

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LETTER

No. I.

OF

HON. ROBERT J. WALKER, M.A.

COUNSELLOR AT LAW IN THE SUPREME COURT OF THE UNITED STATES,  
LATE LAW REP. MI., SENATOR OF THE UNITED STATES,  
SECRETARY OF THE TREASURY, COMMISSIONER TO CHINA,  
GOVERNOR OF KANSAS, ETC., ETC.

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AMERICAN

FINANCES AND RESOURCES.

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TO

OF

HON. ROBERT J. WALCHER, M.A.

CONTAINING A FULL AND COMPLETE STATEMENT OF THE FINANCIAL

AND RESOURCES OF THE UNITED STATES.

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## AMERICAN FINANCES AND RESOURCES.

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LETTER No. I.

*London, 10, Half Moon Street, Piccadilly.*

*August 5, 1863.*

THE question has been often asked me, here and on the Continent, *how has your Secretary of the Treasury (Mr. Chase) so marvellously sustained American credit during this rebellion, and when will your finances collapse?* This question I have frequently answered in conversations with European statesmen and bankers, and the discussion has closed generally in decided approval of Mr. Chase's financial policy, and great confidence in the wonderful resources of the United States.

Thus encouraged, I have concluded to discuss the question in a series of letters, explaining Mr. Chase's system, and stating the reasons of its remarkable success. The interest in such a topic is not confined to the United States, nor to the present period, but extends to all times and nations. Indeed, finance, as a science, belongs to the world. It is a principal branch of the doctrine of "the wealth of nations," discussed, during the last century, with so much

ability by Adam Smith. Although many great principles were then settled, yet political economy is emphatically progressive, especially the important branches of credit, currency, taxation, and revenue.

Mr. Chase's success has been complete under the most appalling difficulties. The preceding administration, by their treasonable course, and anti-coercion heresies, had almost paralyzed the Government. They had increased the rate of interest on Federal loans from six to nearly twelve per cent per annum. Their Vice-President (Mr. Breckenridge), their Finance Minister (Mr. Cobb), their Secretary of War (Mr. Floyd), their Secretary of the Interior (Mr. Thompson), are now in the traitor army. Even the President (Mr. Buchanan), with an evident purpose of aiding the South to dissolve the Union, had announced in his messages the absurd political paradox, that *a State has no right to secede, but that the Government has no right to prevent its secession*. It was a conspiracy of traitors, at the head of which stood the President, secretly pledged, at Ostend and Cincinnati, to the South (as the price of their support), to aid them to control or destroy the republic. Thus was it that, in time of profound peace, when our United States six per cents. commanded a few weeks before a large premium, and our debt was less than \$65,000,000, that Mr. Buchanan's Secretary of the Treasury (Mr. Cobb) was borrowing money at an interest of nearly twelve per cent. per annum. Most fortunately that accursed administration was drawing to a close, or the temporary overthrow of



the Government would have been effected. Never did any minister of finance undertake a task apparently so hopeless as that so fully accomplished by Mr. Chase in reviving the public credit. A single fact will illustrate the extraordinary result. At the close of the fiscal year ending 1st July, 1860, our public debt was only \$64,769,703, and Secretary Cobb was borrowing money at twelve per cent. per annum. On the first of July, 1863, in the midst of a stupendous rebellion, our debt was \$1,097,274,000, and Mr. Chase had reduced the average rate of interest to 3·89 per cent. per annum, whilst the highest rate was 7·30 for a comparatively small sum to be paid off next year. This is a financial achievement without a parallel in the history of the world. If I speak on this subject with some enthusiasm, it is in no egotistical spirit, for Mr. Chase's system differs in many respects widely from that adopted by me as Minister of Finance during the Mexican war, and which raised United States *five per cents.* to a premium. But my system was based on specie or its real and convertible equivalent, and would not have answered the present emergency, which, by our enormous expenditure, necessarily forced a partial and temporary suspension of specie payments upon our banks and Government. Mr. Chase's system is exclusively his own, and, in many of its aspects, is without a precedent in history. When first proposed by him it had very few friends, and was forced upon a re-

luctant Congress by the great emergency, presenting the alternative of its adoption or financial ruin. Indeed, upon a test vote in Congress in February last, it had failed, when the premium on gold rose immediately over twenty per cent. This caused a reconsideration, when the bills were passed and the premium on gold was immediately reduced more than the previous rise, exhibiting the extraordinary difference in a few days of twenty-three per cent., in the absence of any intermediate Federal victories in the field.

Such are the facts. Let me now proceed to detail the causes of these remarkable results. The first element in the success of any Minister of Finance is the just confidence of the country in his ability, integrity, candour, courage and patriotism. He may find it necessary, in some great emergency, like our rebellion, to diverge somewhat from the *via trita* of the past, and enter upon paths not lighted by the lamp of experience. He must never, however, abandon great principles, which are as unchangeable as the laws developed by the physical sciences. When Mr. Chase, in his first annual Treasury Report of the 9th of December, 1861, recommended his system of United States banks, organized by Congress throughout the country, furnishing a circulation based upon private means and credit, but secured also by an adequate amount of Federal stock, held by the Government as security for its redemption, it was very unpopular,

and encountered most violent opposition. The State banks, and all the great interests connected with them, were arrayed against the proposed system. When we reflect that many of these banks (especially in the great State of New York) were based on State stocks, and in many States that the banks yielded large revenues to the local government ;—when we see, by our Census Tables of 1860 (p. 193), that these banks numbered 1642, with a capital paid up of \$421,890,095, loans \$691,495,580, and a circulation and deposits, including specie, of \$544,469,134,—we may realize in part the tremendous power arrayed against the Secretary. This opposition was so formidable, that neither in the public press nor in Congress did this recommendation of Mr. Chase receive any considerable support. Speaking of the *currency* issued by the State banks, and of the substitute proposed by Mr. Chase, he presented the following views in his first annual report before referred to, of December, 1861 :—

“The whole of this circulation constitutes a loan without interest from the people to the banks, costing them nothing except the expense of issue and redemption and the interest on the specie kept on hand for the latter purpose ; and it deserves consideration whether sound policy does not require that the advantages of this loan be transferred in part at least, from the banks, representing only the interests of the stockholders, to the government, representing the aggregate interests of the whole people.

“It has been well questioned by the most eminent statesmen whether a currency of bank notes, issued by local institutions



“under State laws, is not, in fact, prohibited by the national  
 “Constitution. Such emissions certainly fall within the spirit,  
 “if not within the letter, of the constitutional prohibition of the  
 “emission of bills of credit by the States, and of the making by  
 “them of anything except gold and silver coin a legal tender in  
 “payment of debts.

“However this may be, it is too clear to be reasonably disputed  
 “that Congress, under its constitutional powers to lay taxes, to  
 “regulate commerce, and to regulate the value of coin, possesses  
 “ample authority to control the credit circulation which enters so  
 “largely into the transactions of commerce and affects in so many  
 “ways the value of coin.

“In the judgment of the Secretary the time has arrived when  
 “Congress should exercise this authority. The value of the  
 “existing bank note circulation depends on the laws of thirty-  
 “four States and the character of some sixteen hundred private  
 “corporations. It is usually furnished in greatest proportions by  
 “institutions of least actual capital. Circulation, commonly, is  
 “in the inverse ratio of solvency. Well-founded institutions, of  
 “large and solid capital, have, in general, comparatively little  
 “circulation; while weak corporations almost invariably seek to  
 “sustain themselves by obtaining from the people the largest  
 “possible credit in this form. Under such a system, or rather  
 “lack of system, great fluctuations, and heavy losses in discounts  
 “and exchanges, are inevitable; and not unfrequently, through  
 “failures of the issuing institutions, considerable portions of the  
 “circulation become suddenly worthless in the hands of the  
 “people. The recent experience of several States in the valley  
 “of the Mississippi painfully illustrates the justice of these  
 “observations; and enforces by the most cogent practical argu-  
 “ments the duty of protecting commerce and industry against  
 “the recurrence of such disorders.

“The Secretary thinks it possible to combine with this protec-  
 “tion a provision for circulation, safe to the community and  
 “convenient for the government.

“Two plans for effecting this object are suggested. The first

“contemplates the gradual withdrawal from circulation of the  
 “notes of private corporations and for the issue, in their stead  
 “of United States notes, payable in coin on demand, in amounts  
 “sufficient for the useful ends of a representative currency. The  
 “second contemplates the preparation and delivery, to institutions  
 “and associations, of notes prepared for circulation under national  
 “direction, and to be secured as to prompt convertibility into  
 “coin by the pledge of United States bonds and other needful  
 “regulations.

“The first of these plans was partially adopted at the last  
 “session of Congress in the provision authorizing the Secretary  
 “to issue United States notes, payable in coin, to an amount not  
 “exceeding fifty millions of dollars. That provision may be so  
 “extended as to reach the average circulation of the country,  
 “while a moderate tax, gradually augmented, on bank notes, will  
 “relieve the national from the competition of local circulation.  
 “It has been already suggested that the substitution of a national  
 “for a state currency, upon this plan, would be equivalent to a  
 “loan to the government without interest, except on the fund to  
 “be kept in coin, and without expense, except the cost of prepara-  
 “tion, issue, and redemption; while the people would gain the  
 “additional advantage of a uniform currency, and relief from a  
 “considerable burden in the form of interest on debt. These  
 “advantages are, doubtless, considerable; and if a scheme can be  
 “devised by which such a circulation will be certainly and strictly  
 “confined to the real needs of the people, and kept constantly  
 “equivalent to specie by prompt and certain redemption in coin,  
 “it will hardly fail of legislative sanction.

“The plan, however, is not without serious inconveniences and  
 “hazards. The temptation, especially great in times of pressure  
 “and danger, to issue notes without adequate provision for  
 “redemption; the ever-present liability to be called on for  
 “redemption beyond means, however carefully provided and  
 “managed; the hazards of panics, precipitating demands for  
 “coin, concentrated on a few points and a single fund; the risk  
 “of a depreciated, depreciating, and finally worthless paper



“ money ; the immeasurable evils of dishonoured public faith and  
 “ national bankruptcy ; all these are possible consequences of the  
 “ adoption of a system of government circulation. It may be  
 “ said, and perhaps truly, that they are less deplorable than those  
 “ of an irredeemable bank circulation. Without entering into  
 “ that comparison, the Secretary contents himself with observing  
 “ that, in his judgment, these possible disasters so far outweigh  
 “ the probable benefits of the plan that he feels himself constrained  
 “ to forbear recommending its adoption.

“ The second plan suggested remains for examination. Its  
 “ principal features are, (1st) a circulation of notes bearing a  
 “ common impression and authenticated by a common authority ;  
 “ (2d) the redemption of these notes by the associations and  
 “ institutions to which they may be delivered for issue ; and (3d)  
 “ the security of that redemption by the pledge of United States  
 “ stocks, and an adequate provision of specie.

“ In this plan the people, in their ordinary business, would  
 “ find the advantages of uniformity in currency ; of uniformity in  
 “ security ; of effectual safeguard, if effectual safeguard is possible,  
 “ against depreciation ; and of protection from losses in discounts  
 “ and exchanges ; while in the operations of the government the  
 “ people would find the further advantage of a large demand for  
 “ government securities, of increased facilities for obtaining the  
 “ loans required by the war, and of some alleviation of the burdens  
 “ on industry through a diminution in the rate of interest, or a  
 “ participation in the profit of circulation, without risking the  
 “ perils of a great money monopoly.

“ A further and important advantage to the people may be  
 “ reasonably expected in the increased security of the Union,  
 “ springing from the common interest in its preservation, created  
 “ by the distribution of its stocks to associations throughout the  
 “ country, as the basis of their circulation.

“ The Secretary entertains the opinion that if a credit circula-  
 “ tion in any form be desirable, it is most desirable in this. The  
 “ notes thus issued and secured would, in his judgment, form the  
 “ safest currency which this country has ever enjoyed ; while their

“receivability for all government dues, except customs, would  
 “make them, wherever payable, of equal value, as a currency, in  
 “every part of the Union. The large amount of specie now in  
 “the United States, reaching a total of not less than two hun-  
 “dred and seventy-five millions of dollars, will easily support  
 “payments of duties in coin, while these payments and ordinary  
 “demands will aid in retaining this specie in the country as a  
 “solid basis both of circulation and loans.

“The whole circulation of the country, except a limited amount  
 “of foreign coin, would, after the lapse of two or three years,  
 “bear the impress of the nation whether in coin or notes; while  
 “the amount of the latter, always easily ascertainable, and, of  
 “course, always generally known, would not be likely to be  
 “increased beyond the real wants of business.

“He expresses an opinion in favour of this plan with the  
 “greater confidence, because it has the advantage of recommenda-  
 “tion from experience. It is not an untried theory. In the  
 “State of New York and in one or more of the other States it  
 “has been subjected, in its most essential parts, to the test of  
 “experiment, and has been found practicable and useful. The  
 “probabilities of success will not be diminished but increased by  
 “its adoption under national sanction and for the whole country.

“It only remains to add that the plan is recommended by one  
 “other consideration, which, in the judgment of the Secretary, is  
 “entitled to much influence. It avoids almost, if not altogether,  
 “the evils of a great and sudden change in the currency by  
 “offering inducements to solvent existing institutions to withdraw  
 “the circulation issued under State authority, and substitute that  
 “provided by the authority of the Union. Thus, through the  
 “voluntary action of the existing institutions, aided by wise  
 “legislation, the great transition from a currency heterogeneous,  
 “unequal, and unsafe, to one uniform, equal, and safe, may be  
 “speedily and almost imperceptibly accomplished.

“If the Secretary has omitted the discussion of the question  
 “of the constitutional power of Congress to put this plan into  
 “operation, it is because no argument is necessary to establish

“ the proposition that the power to regulate commerce and the  
 “ value of coin includes the power to regulate the currency of the  
 “ country, or the collateral proposition that the power to effect  
 “ the end includes the power to adopt the necessary and expedient  
 “ means.

“ The Secretary entertains the hope that the plan now sub-  
 “ mitted, if adopted with the limitations and safeguards which  
 “ the experience and wisdom of Senators and Representatives  
 “ will, doubtless, suggest, may impart such value and stability to  
 “ government securities that it will not be difficult to obtain the  
 “ additional loans required for the service of the current and the  
 “ succeeding year at fair and reasonable rates ; especially if the  
 “ public credit be supported by sufficient and certain provision  
 “ for the payment of interest and ultimate redemption of the  
 “ principal.”

Congress adjourned after a session of eight months, and failed to adopt Mr. Chase's recommendation. Indeed, it had then but few advocates in Congress or the country. Events rolled on, and our debt, as anticipated by Mr. Chase, became of vast dimensions. In his report of December, 1861, the public debt on the 30th June, 1862 (the close of the fiscal year), was estimated by the Secretary at \$517,372,800 ; and it was \$514,211,371, or more than \$3,000,000 less than the estimate. In his report of December 4, 1862, our debt, on the 30th June, 1863, was estimated by Mr. Chase at \$1,122,297,403, and it was \$1,097,274,000, being \$25,023,403 less than the estimate. The *average* rate of interest on this debt was 3·89, being \$41,927,980, of which \$30,141,080 was payable in gold, and \$11,786,900 payable in Federal currency.



It will thus be seen that the whole truth, as to our heavy debt, was always distinctly stated in advance by Mr. Chase, and that the debt has not now quite reached his estimate. Long before the date of the second annual report of the Secretary, the banks had suspended specie payments, and the Secretary renewed his former recommendation on that subject in these words:—

“ While the Secretary thus repeats the preference he has heretofore expressed for a United States note circulation, even when issued direct by the government, and dependent on the action of the government for regulation and final redemption, over the note circulation of the numerous and variously organized and variously responsible banks now existing in the country; and while he now sets forth, more fully than heretofore, the grounds of that preference, he still adheres to the opinion expressed in his last report, that a circulation furnished by the government, but issued by banking associations, organized under a general act of Congress, is to be preferred to either. Such a circulation, uniform in general characteristics, and amply secured as to prompt convertibility by national bonds deposited in the treasury, by the associations receiving it, would unite, in his judgment, more elements of soundness and utility than can be combined in any other.

“ A circulation composed exclusively of notes issued directly by the government, or of such notes and coin, is recommended mainly by two considerations:—the first derived from the facility with which it may be provided in emergencies, and the second, from its cheapness.

“ The principal objections to such a circulation as a permanent system are, 1st, the facility of excessive expansion when expenditures exceed revenue; 2d, the danger of lavish and corrupt expenditure, stimulated by facility of expansion; 3d, the danger of fraud in management and supervision; 4th, the impossi-

“bility of providing it in sufficient amounts for the wants of the  
 “people whenever expenditures are reduced to equality with  
 “revenue or below it.

“These objections are all serious. The last requires some  
 “elucidation. It will be easily understood, however, if it be  
 “considered that a government issuing a credit circulation cannot  
 “supply, in any given period, an amount of currency greater than  
 “the excess of its disbursements over its receipts. To that  
 “amount, it may create a debt in small notes, and these notes  
 “may be used as currency. This is precisely the way in which  
 “the existing currency of United States notes is supplied. That  
 “portion of the expenditure not met by revenue or loans has  
 “been met by the issue of these notes. Debt in this form has  
 “been substituted for various debts in other forms. Whenever,  
 “therefore, the country shall be restored to a healthy normal  
 “condition, and receipts exceed expenditures, the supply of  
 “United States notes will be arrested, and must progressively  
 “diminish. Whatever demand may be made for their redemption  
 “in coin must hasten this diminution; and there can be no re-  
 “issue; for reissue, under the conditions, necessarily implies dis-  
 “bursement, and the revenue, upon the supposition, supplies  
 “more than is needed for that purpose. There is, then, no mode  
 “in which a currency in United States notes can be permanently  
 “maintained, except by loans of them, when not required for  
 “disbursement, on deposits of coin, or pledge of securities, or in  
 “some other way. This would convert the treasury into a  
 “government bank, with all its hazards and mischiefs.

“If these reasonings be sound, little room can remain for doubt  
 “that the evils certain to arise from such a scheme of currency,  
 “if adopted as a permanent system, greatly overbalance the tem-  
 “porary though not inconsiderable advantages offered by it.

“It remains to be considered what results may be reasonably  
 “expected from an act authorizing the organization of banking  
 “associations, such as the Secretary proposed in his last report.

“The central idea of the proposed measure is the establish-  
 “ment of one sound, uniform circulation, of equal value through-



“out the country, upon the foundation of national credit combined with private capital.

“Such a currency, it is believed, can be secured through banking associations organized under national legislation.

“It is proposed that these associations be entirely voluntary. Any persons, desirous of employing real capital in sufficient amounts, can, if the plan be adopted, unite together under proper articles, and, having contributed the requisite capital, can invest such part of it, not less than a fixed minimum, in United States bonds, and, having deposited these bonds with the proper officer of the United States, can receive United States notes in such denominations as may be desired, and employ them as money in discounts and exchanges. The stockholders of any existing banks can, in like manner, organize under the act, and transfer, by such degrees as may be found convenient, the capital of the old to the use of the new associations. The notes thus put into circulation will be payable, until resumption, in United States notes, and, after resumption, in specie, by the association which issues them, on demand; and if not so paid will be redeemable at the treasury of the United States from the proceeds of the bonds pledged in security. In the practical working of the plan, if sanctioned by Congress, redemption at one or more of the great commercial centres, will probably be provided for by all the associations which circulate the notes, and, in case any association shall fail in such redemption, the treasurer of the United States will probably, under discretionary authority, pay the notes, and cancel the public debt held as security.

“It seems difficult to conceive of a note circulation which will combine higher local and general credit than this. After a few years no other circulation would be used, nor could the issues of the national circulation be easily increased beyond the legitimate demands of business. Every dollar of circulation would represent real capital, actually invested in national stocks, and the total amount issued could always be easily and quickly ascertained from the books of the treasury. These circum-

“stances, if they might not wholly remove the temptation to excessive issues, would certainly reduce it to the lowest point, while the form of the notes, the uniformity of devices, the signatures of national officers, and the imprint of the national seal authenticating the declaration borne on each that it is secured by bonds which represent the faith and capital of the whole country, could not fail to make every note as good in any part of the world as the best known and best esteemed national securities.

“The Secretary has already mentioned the support to public credit which may be expected from the proposed associations. The importance of this point may excuse some additional observations.

“The organization proposed, if sanctioned by Congress, would require, within a very few years, for deposit as security for circulation, bonds of the United States to an amount not less than \$250,000,000. It may well be expected, indeed, since the circulation, by uniformity in credit and value, and capacity of quick and cheap transportation, will be likely to be used more extensively than any hitherto issued, that the demand for bonds will overpass this limit. Should Congress see fit to restrict the privilege of deposit to the bonds known as five-twenties, authorized by the act of last session, the demand would promptly absorb all of that description already issued and make large room for more. A steady market for the bonds would thus be established and the negotiation of them greatly facilitated.

“But it is not in immediate results that the value of this support would be only or chiefly seen. There are always holders who desire to sell securities of whatever kind. If buyers are few or uncertain, the market value must decline. But the plan proposed would create a constant demand, equaling and often exceeding the supply. Thus a steady uniformity in price would be maintained, and generally at a rate somewhat above those of bonds of equal credit but not available to banking associations. It is not easy to appreciate the full benefits of such conditions to a government obliged to borrow.

“Another advantage to be derived from such associations would be found in the convenient agencies which they would furnish for the deposit of public moneys.

“The Secretary does not propose to interfere with the independent treasury. It may be advantageously retained, with the assistant treasurers already established in the most important cities, where the customs may be collected as now, in coin or treasury notes issued directly by the government, but not furnished to banking associations.

“But whatever the advantages of such arrangements in the commercial cities in relation to customs, it seems clear that the secured national circulation furnished to the banking associations should be received everywhere for all other dues than customs, and that these associations will constitute the best and safest depositaries of the revenues derived from such receipts. The convenience and utility to the government of their employment in this capacity, and often, also, as agents for payments and as distributors of stamps, need no demonstration. The necessity for some other depositaries than surveyors of ports, receivers, postmasters, and other officers, of whose responsibility and fitness, in many cases, nothing satisfactory can be known, is acknowledged by the provision for selection by the Secretary contained in the internal revenue act; and it seems very clear that the public interest will be secured far more certainly by the organization and employment of associations organized as proposed than by any official selection.

“Another and very important advantage of the proposed plan has already been adverted to. It will reconcile, as far as practicable, the interests of existing institutions with those of the whole people.

“All changes, however important, should be introduced with caution, and proceeded in with careful regard to every affected interest. Rash innovation is not less dangerous than stupidified inaction. The time has come when a circulation of United States notes, in some form, must be employed. The people demand uniformity in currency, and claim, at least, part of the



"benefit of debt without interest, made into money, hitherto enjoyed  
 "exclusively by the banks. These demands are just and must be  
 "respected. But there need be no sudden change; there need  
 "be no hurtful interference with existing interests. As yet the  
 "United States note circulation hardly fills the vacuum caused by  
 "the temporary withdrawal of coin; it does not, perhaps, fully  
 "meet the demand for increased circulation created by the  
 "increased number, variety, and activity of payments in money.  
 "There is opportunity, therefore, for the wise and beneficial  
 "regulation of its substitution for other circulation. The mode  
 "of substitution, also, may be judiciously adapted to actual  
 "circumstances. The plan suggested consults both purposes.  
 "It contemplates gradual withdrawal of bank note circulation,  
 "and proposes a United States note circulation, furnished to  
 "banking associations, in the advantages of which they may  
 "participate in full proportion to the care and responsibility  
 "assumed and the services performed by them. The promptitude  
 "and zeal with which many of the existing institutions came to  
 "the financial support of the government in the dark days which  
 "followed the outbreak of the rebellion is not forgotten. They  
 "ventured largely, and boldly, and patriotically on the side of the  
 "Union and the constitutional supremacy of the nation over  
 "States and citizens. It does not at all detract from the merit of  
 "the act that the losses, which they feared but unhesitatingly  
 "risked, were transmuted into unexpected gains. It is a solid  
 "recommendation of the suggested plan that it offers the  
 "opportunity to these and kindred institutions to reorganize,  
 "continue their business under the proposed act, and with little  
 "loss and much advantage, participate in maintaining the new  
 "and uniform national currency.

"The proposed plan is recommended, finally, by the firm  
 "anchorage it will supply to the union of the States. Every  
 "banking association whose bonds are deposited in the treasury  
 "of the Union; every individual who holds a dollar of the  
 "circulation secured by such deposit; every merchant, every  
 "manufacturer, every farmer, every mechanic, interested in trans-

“actions dependent for success on the credit of that circulation,  
 “will feel as an injury every attempt to rend the national unity,  
 “with the permanence and stability of which all their interests  
 “are so closely and vitally connected. Had the system been  
 “possible, and had it actually existed two years ago, can it be  
 “doubted that the national interests and sentiments enlisted by it  
 “for the Union would have so strengthened the motives for adhe-  
 “sion derived from other sources that the wild treason of secession  
 “would have been impossible?

“The Secretary does not yield to the phantasy that taxation is  
 “a blessing and debt a benefit; but it is the duty of public men  
 “to extract good from evil whenever it is possible. The burdens  
 “of taxation may be lightened and even made productive of  
 “incidental benefits by wise, and aggravated and made intolerable  
 “by unwise, legislation. In like manner debt, by no means  
 “desirable in itself, may, when circumstances compel nations, to  
 “incur its obligations, be made by discreet use less burdensome,  
 “and even instrumental in the promotion of public and private  
 “security and welfare.

“The rebellion has brought a great debt upon us. It is pro-  
 “posed to use a part of it in such a way that the sense of its  
 “burden may be lost in the experience of incidental advantages.  
 “The issue of United States notes is such a use; but if exclusive,  
 “is hazardous and temporary. The security by national bonds of  
 “similar notes furnished to banking associations is such a use,  
 “and is comparatively safe and permanent; and with this use  
 “may be connected, for the present, and occasionally, as circum-  
 “stances may require, hereafter, the use of the ordinary United  
 “States notes in limited amounts.

“No very early day will probably witness the reduction of the  
 “public debt to the amount required as a basis for secured  
 “circulation. Should no future wars arrest reduction and again  
 “demand expenditures beyond revenue, that day will, however, at  
 “length come. When it shall arrive the debt may be retained on  
 “low interest at that amount, or some other security for circula-  
 “tion may be devised, or, possibly, the vast supplies of our rich



“mines may render all circulation unadvisable except gold and  
 “the absolute representatives and equivalents, dollar for dollar, of  
 “gold in the treasury or on safe deposit elsewhere. But these  
 “considerations may be for another generation.

“The Secretary forbears extended argument on the constitu-  
 “tionality of the suggested system. It is proposed as an auxiliary  
 “to the power to borrow money; as an agency of the power to  
 “collect and disburse taxes; and as an exercise of the power to  
 “regulate commerce, and of the power to regulate the value of  
 “coin. Of the two first sources of power nothing need be said.  
 “The argument relating to them was long since exhausted and is  
 “well known. Of the other two there is not room, nor does it  
 “seem needful to say much. If Congress can prescribe the  
 “structure, equipment, and management of vessels to navigate  
 “rivers flowing between or through different States as a regula-  
 “tion of commerce, Congress may assuredly determine what cur-  
 “rency shall be employed in the interchange of their commodi-  
 “ties, which is the very essence of commerce. Statesmen who  
 “have agreed in little else have concurred in the opinion that the  
 “power to regulate coin is, in substance and effect, a power to  
 “regulate currency, and that the framers of the Constitution so  
 “intended. It may well enough be admitted that while Congress  
 “confines its regulation to weight, fineness, shape, and device,  
 “banks and individuals may issue notes for currency in competi-  
 “tion with coin. But it is difficult to conceive by what process  
 “of logic the unquestioned power to regulate coin can be sepa-  
 “rated from the power to maintain or restore its circulation, by  
 “excluding from currency all private or corporate substitutes  
 “which affect its value, whenever Congress shall see fit to exer-  
 “cise that power for that purpose.

“The recommendations, now submitted, of the limited issue of  
 “United States notes as a wise expedient for the present time;  
 “and as an occasional expedient for future times, and of the or-  
 “ganization of banking associations to supply circulation secured  
 “by national bonds and convertible always into United States  
 “notes, and after resumption of specie payments, into coin, are

“prompted by no favour to excessive issues of any description of credit money.

“On the contrary, it is the Secretary’s firm belief that by no other path can the resumption of specie payments be so surely reached and so certainly maintained. United States notes receivable for bonds bearing a secure specie interest are next best to notes convertible into coin. The circulation of banking associations organized under a general act of Congress, secured by such bonds, can be most surely and safely maintained at the point of certain convertibility into coin. If, temporarily, these associations redeem their issues with United States notes, resumption of specie payments will not thereby be delayed or endangered, but hastened and secured; for, just as soon as victory shall restore peace, the ample revenue, already secured by wise legislation, will enable the government, through advantageous purchases of specie, to replace at once large amounts, and, at no distant day, the whole, of this circulation by coin, without detriment to any interest, but, on the contrary, with great and manifest benefit to all interests.

“The Secretary recommends, therefore, no mere paper money scheme, but, on the contrary, a series of measures looking to a safe and gradual return to gold and silver as the only permanent basis, standard, and measure of values recognized by the Constitution—between which and an irredeemable paper currency, as he believes, the choice is now to be made.”

Congress, however, was still unwilling to adopt the recommendations of the Secretary, until the necessity was demonstrated by the course of events. On reference to the laws, which are printed in the Appendix, it will be found, that the great features of the system of the Secretary were as follows:—

1. A loan to the Government upon its bonds reimbursable in twenty years, but redeemable after

five years, at the option of the nation, the interest being six per cent. payable semi-annually in *coin*, as is also the principal.

2. The issue of U. S. legal tender notes, receivable for all dues to the nation except customs, and fundable in this U. S. 5.20 six per cent. stock.

3. The authorization of the banks recommended in his report, whose circulation would be secured not only by private capital, but by adequate deposits of U. S. stock with the Government.

4. To maintain, in the meantime, as near to specie as practicable, this Federal Currency,—1st, by making it receivable in all dues to the Government except for customs; 2nd, by the privilege of funding it in United States stock; 3rd, by enhancing the benefit of this privilege, not only by making the stock, both principal and interest, payable in specie, but by making it gradually the ultimate basis of our whole bank circulation, which as shown by the Census Tables before referred to, (including deposits) nearly doubles every decade.

5. By imposing such a tax on the circulation of the State banks, as together with state or municipal taxes, would induce them to transfer their capital to the new banks proposed by the Secretary.

6. To relieve the *new banks* from all state or municipal taxation.

7. In lieu thereof, to impose a moderate Federal tax on all bank circulation, as a bonus to be paid cheerfully by these banks for the great privilege of



furnishing ultimately the whole paper currency of the country, and the other advantages secured by these bills.

This tax, as proposed by the Secretary, was one per cent. semi-annually, which *in effect* would have reduced the interest on our principal loans from six to four per cent. per annum, so far as those loans were made the basis of bank circulation. Congress, however, fixed this tax at about one half, thus making the interest on such loans equivalent in fact to five per cent. per annum, so far as such loans, at the option of the holder, are made the basis of banking and of bank circulation. This is a privilege which gives great additional value to these loans, for the right to issue the bank paper circulation of the country free from state or municipal taxes, is worth far more than one-half per cent. semi-annually, to be paid on such circulation. That this privilege is worth more than the Federal tax, is proved by the fact, that many banks are already being organized under this system, and by the further fact, that more than \$200,000,000 of legal tenders have already been funded in this stock, and the process continues at the rate of from one to two millions of dollars a day. It will be observed, that the holders of such bonds can keep them, *if they please*, disconnected with all banks, receiving the principal at maturity, as well as the semi-annual interest, in gold, free from all taxes.

This system has been attended with complete

success, and, notwithstanding the increase of our debt, the premium on gold, for our Federal currency, fundable in this stock, has fallen from 73 per cent. in February last, before the adoption of Mr. Chase's system, to 27 per cent. at present; and before the 30th of June next, it is not doubted that this premium must disappear. No loyal American doubts the complete suppression of the rebellion before that date, in which event, our Federal currency will rise at once to the par of gold. In the meantime, however, gold is at a premium of 27 per cent., which is the least profit (independent of future advance above par) so soon to be realized by those purchasing this currency now, and waiting its appreciation, or investing it in our U. S. 5.20 six per cent. stock.

But, besides the financial benefits to the Government of Mr. Chase's system, its other advantages are great indeed. It will ultimately displace our whole state bank system and circulation, and give us a *national currency*, based on ample private capital and Federal stocks, a currency of *uniform* value throughout the country, and always certainly convertible on demand into coin. Besides, by displacing the state bank circulation, the whole bank note currency of the Union will be based on the stocks of the Government, and give to every citizen who holds the bonds or the currency, (which will embrace the whole community in every State) a direct interest in the maintenance of the Union.

The annual losses which our people sustain under



the separate State bank system, in the rate of exchange, is enormous, whilst the constant and ever-recurring insolvency of so many of these institutions, accompanied by eight general bank suspensions of specie payment, have from time to time spread ruin and devastation throughout the country. I believe that, in a period of twenty years, the saving to the people of the United States, by the substitution of the new system, would reach a sum very nearly approaching the total amount of our public debt, and in time largely exceeding it. As a question, then, of national wealth, as well as national unity, I believe the gain to the country in time by the adoption of the new system, will far exceed the cost of the war. It was the State bank system in the rebel States that furnished to Secession mainly the sinews of war. These banks are now generally insolvent, but, if the banking system now proposed had been in existence, and the circulating medium in all the States had been an uniform national currency based entirely on the stocks of the United States, the rebellion could never have occurred. Every bank and all its stockholders, and all the holders of the stock and notes of all the banks, embracing our whole paper currency, would have been united to the Government by an interest so direct and universal, that rebellion would have been impossible. Hamilton and Madison, Story and Marshall, and the Supreme Court of the United States, have declared that to the Federal Govern-

ment belongs the "entire regulation of the currency of the country." That power they have now exercised in the adoption of the system recommended by the Secretary. Our whole currency, in coin as well as paper, will soon, now, all be national, which is the most important measure for the security and perpetuity of the Union, and the welfare of the people, ever adopted by Congress. It is to Congress that the Constitution grants the exclusive power "to regulate commerce with foreign nations and among the States;" and a sound uniform currency, in coin, or convertible on demand into coin, is one of the most essential instrumentalities connected with trade and exchanges.

Having given in the Appendix the three great Acts of Congress carrying into effect the system of the Secretary, marked 1, 2, 3, I shall, after these preliminary remarks, proceed with the discussion of the subject in my next letter.

R. J. WALKER.

# APPENDIX.

## NATIONAL CURRENCY ACT.

No. I.

### AN ACT

TO PROVIDE A NATIONAL CURRENCY, SECURED BY A PLEDGE OF UNITED STATES STOCKS, AND TO PROVIDE FOR THE CIRCULATION AND REDEMPTION THEREOF.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That there shall be established in the Treasury Department a separate bureau, which shall be charged with the execution of this and all other laws that may be passed by Congress respecting the issue and regulation of a national currency secured by United States bonds. The chief officer of the said bureau shall be denominated the Comptroller of the Currency, and shall be under the general direction of the Secretary of the Treasury. He shall be appointed by the President, on the nomination of the Secretary of the Treasury, by and with the advice and consent of the Senate, and shall hold his office for the term of five years unless sooner removed by the President, by and with the advice and consent of the Senate; he shall receive an annual salary of five thousand dollars; he shall have a competent deputy, appointed by the Secretary, whose salary shall be two thousand five hundred dollars, and who shall possess the power and perform the duties attached by law to the office of Comptroller during a vacancy in such office and during his absence or inability; he shall employ, from time to time, the necessary clerks to discharge such duties as he shall direct, which clerks shall be appointed and classified by the Secretary of the Treasury in the manner now provided by law. Within fifteen days from the time of notice of his appointment the Comptroller shall take and subscribe the oath of office prescribed by the Constitution and laws of the United States; and he shall give to the United States a bond in the penalty of one hundred thousand dollars, with not less than two responsible freeholders as sureties, to be approved by the Secretary of the Treasury, conditioned for the faithful discharge of the duties of his office. The Deputy Comptroller so appointed shall also take the oath of office prescribed by the Constitution and laws of the United States, and shall give a like bond in the penalty of fifty thousand dollars. The

Currency  
Bureau  
established.

Comptroller  
of the Currency.

Deputy  
Comptroller.

Clerks.

Oath and  
bond of  
Comptroller.

Oath and  
bond of Deputy.



Interest for-  
bidden.

Comptroller and Deputy Comptroller shall not, either directly or indirectly, be interested in any association issuing national currency under the provisions of this act.

Seal of bureau.

SEC. 2. *And be it further enacted*, That the Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall devise a seal, with suitable inscriptions, for his office, a description of which, with a certificate of approval by the Secretary of the Treasury, shall be filed in the office of the Secretary of State with an impression thereof, which shall thereupon become the seal of office of the Comptroller of the Currency, and the same may be renewed when necessary.

Sealed instru-  
ments evidence

Every certificate, assignment, and conveyance executed by the Comptroller, in pursuance of any authority conferred on him by law, and sealed with his seal of office, shall be received in evidence in all places and courts whatsoever; and all copies of papers in the office of the Comptroller, certified by him and authenticated by the said seal, shall in all cases be evidence equally and in like manner as the original. An impression of such seal directly on the paper shall be as valid as if made on wax or wafer.

Impression  
of seal.

Office for the  
bureau in the  
treasury.

SEC. 3. *And be it further enacted*, That there shall be assigned to the Comptroller of the Currency by the Secretary of Treasury suitable rooms in the Treasury building for conducting the business of the Currency Bureau, in which shall be safe and secure fire proof vaults, in which it shall be the duty of the Comptroller to deposit and safely keep all the plates and other valuable things belonging to his department; and the Comptroller shall from time to time furnish the necessary furniture, stationery, fuel, lights, and other proper conveniences for the transaction of the said business.

U. S. bonds  
defined.

SEC. 4. *And be it further enacted*, That the term "United States bonds," as used in this act, shall be construed to mean all coupon and registered bonds now issued, or that may hereafter be issued, on the faith of the United States by the Secretary of the Treasury in pursuance of law.

Associates  
not less than  
five.

SEC. 5. *And be it further enacted*, That associations for carrying on the business of banking may be formed by any number of persons, not less in any case than five.

Preliminary  
certificate re-  
quired, and  
what to contain.

Sec. 6. *And be it further enacted*, That persons uniting to form such an association shall, under their hands and seals, make a certificate which shall specify—

Name.

First. The name assumed by such association.

Place of busi-  
ness.

Second. The place where its operations of discount and deposits are to be carried on; designating the State, Territory, or district, and also the particular city, town, or village.

Third. The amount of its capital stock, and the number of shares into which the same shall be divided; which capital stock shall not be less than fifty thousand dollars; and in cities whose population is over ten thousand persons, the capital stock shall not be less than one hundred thousand dollars.

Fourth. The names and places of residence of the shareholders, and the number of shares held by each of them. Names, &c. of shareholders.

Fifth. The time when such association shall commence.

Sixth. A declaration that said certificate is made to enable such persons to avail themselves of the advantages of this act. General declaration.

The said certificate shall be acknowledged before a judge of some court of record or a notary public, and the acknowledgment thereof, certified under the seal of such court or notary, and shall be transmitted, together with a copy of the articles of association which shall have been adopted, to the Comptroller of the Currency, who shall record and carefully preserve the same in his office. Copies of such certificate, duly certified by the Comptroller, and authenticated by his seal of office, shall be legal and sufficient evidence in all courts and places within the United States, or the jurisdiction of the government thereof, of the existence of such association, and of every other matter or thing which could be proved by the production of the original certificate. Certificate to be acknowledged and transmitted.

SEC. 7. *And be it further enacted*, That at least thirty per centum of the capital stock of such association shall be paid in at the time of the commencement of its banking business, and the remainder of the capital stock of such association shall be paid in instalments of at least ten per centum each on the whole amount to which the association shall be limited, as frequently as one instalment at the end of each succeeding two months from the time of the commencement of its banking operations, until the whole of the capital stock shall be paid in. Certified copies to be evidence.

SEC. 8. *And be it further enacted*, That if any shareholder, or his assignee, shall fail to pay any instalment on the stock when the same is required by the foregoing section to be paid, the directors of such association may sell the stock held by such delinquent shareholder, at public auction, having given three weeks' previous notice thereof in a newspaper published and of general circulation in the city where the association is located, if the same be located in a city, and if not so located, then in a newspaper printed, or of general circulation, in the county where the same is located, to any person who will pay the highest price therefor, and not less than the amount then due thereon, with the expenses of advertisement and sale; and the excess, if any, shall be paid to the delinquent shareholder. How capital stock must be paid in.

Proceedings against delinquent shareholders.



If no bidder can be found who will pay for such stock the amount due thereon to the association, and the costs of advertisement and sale, the amount previously paid shall be forfeited to the association, and such stock may subsequently be sold as the directors may order.

Comptroller  
to be notified  
of amount of  
stock paid in.

SEC. 9. *And be it further enacted*, That whenever a certificate shall have been transmitted to the Comptroller of the Currency, as provided in this act, and the association transmitting the same shall notify the Comptroller that at least thirty per centum of its capital stock has been paid as aforesaid, and that such association has complied with all the provisions of this act required to be complied with before, such association shall be authorized to commence the business of banking, and that such association is desirous of commencing such business, the Comptroller shall immediately proceed, in such manner as he shall by general rules prescribe, to examine the condition of such association; to ascertain especially the amount of money paid in on account of its capital stock; the name and place of residence of each of the directors of such association, and the amount of the capital stock of which each is the *bona fide* owner, and generally whether such association has complied with all the requirements of this act to entitle it to engage in the business of banking; and shall cause to be made, and attested by the oaths of a majority of the directors and by the president or cashier of such association, a statement of all the facts necessary to enable the Comptroller to determine whether such association is lawfully entitled to commence the business of banking under this act.

Proceedings  
of Comptroller  
upon receipt of  
notice.

Proceedings  
continued.

SEC. 10. *And be it further enacted*, That if, upon a careful examination of the facts so reported, and of any other facts which may come to the knowledge of the Comptroller, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association, or otherwise, it shall appear that such association is lawfully entitled to commence the business of banking, the Comptroller shall give to such association a certificate under his hand and official seal, showing that such association has complied with all the provisions of this act required to be complied with before being entitled to commence the business of banking under it, and that such association is authorized to commence said business accordingly; and it shall be the duty of such association to cause said certificate to be published in some newspaper, published in the city or county where such association is located for at least sixty days next after the issuing thereof: *Provided*, That if no newspaper is published in such city or county, such certificate shall be published as the Comptroller of the Currency shall direct.

Certificate of  
authority to  
commence  
banking.

Publication  
of certificate.



SEC. 11. *And be it further enacted*, That every association formed pursuant to the provisions of this act may make and use a common seal, and shall have successsion by the name designated in its articles of association and for the period limited therein, not, however, exceeding twenty years from the passage of this act; by such name may make contracts, sue and be sued, complain and defend in any court of law or equity as fully as natural persons, and may make by-laws, approved by the Comptroller of the Currency, not inconsistent with the laws of the United States or the provisions of this act, for the election of directors, the management of its property, the regulation of its affairs, and for the transfer of its stock; and shall have power to carry on the business of banking by obtaining and issuing circulating notes in accordance with the provisions of this act; by discounting bills, notes, and other evidences of debt; by receiving deposits; by buying and selling gold and silver bullion, foreign coins, and bills of exchange; by loaning money on real and personal security in the manner specified in their articles of association for the purposes authorized by this act, and by exercising such incidental powers as shall be necessary to carry on such business; to choose one of their number as president of such association, and to appoint a cashier and such other officers and agents as their business may require; and to remove such president, cashier, officers, and agents at pleasure, and appoint others in their place; and their usual business shall be transacted in banking offices located at the places specified respectively in its certificate of association, and not elsewhere.

Corporate organization and limitation.

Banking privileges conferred.

Officers.

Place of business.

SEC. 12. *And be it further enacted*, That the shares of associations formed under this act shall be deemed personal property, and shall be transferable on the books of the association in such manner as may be prescribed in the by-laws or articles of association; and every person becoming a shareholder by such transfer shall, in proportion to his shares, succeed to all the rights and liabilities of the prior holder of such shares; and no change shall be made in the articles of association by which the rights, remedies, or security of the existing creditors of the association shall be impaired. For all debts contracted by such association for circulation, deposit, or otherwise, each shareholder shall be liable to the amount, at their par value, of the shares held by him in addition to the amount invested in such shares.

Shares personal property, and how transferred.

Rights of creditors secured.

Individual liabilities of shareholders.

SEC. 13. *And be it further enacted*, That it shall be lawful for any association formed under this act, by its articles of association, to provide for an increase of its capital from time to time as may be deemed expedient, subject to the limitations

Capital stock, how increased.

of this act; but no such increase shall be valid until the increased capital shall be paid in and notice thereof shall have been transmitted to the Comptroller of the Currency, and his certificate obtained specifying the amount of such increase of capital stock, and that the same has been duly paid to such association.

What real estate may be held.

SEC. 14. *And be it further enacted*, That it shall be lawful for any such association to purchase, hold, and convey real estate as follows:

First. Such as shall be necessary for its immediate accommodation in the transaction of its business.

Second. Such as shall be mortgaged to it in good faith by way of security for loans made by such association, or for moneys due thereto.

Third. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgments, decrees, or mortgages held by such association.

Such association shall not purchase or hold real estate in any other case or for any other purpose than as specified in this section.

U. S. bonds to be deposited.

SEC. 15. *And be it further enacted*, That every association, after having complied with the provisions of this act preliminary to the commencement of banking business under its provisions, shall transfer and deliver to the Treasurer of the United States any United States bonds bearing interest, to an amount not less than one third of the capital stock paid in, which bonds shall be deposited with the Treasurer of the United States, and by him safely kept in his office until the same shall be otherwise disposed of, in pursuance of the provisions of this act.

Notes for circulation.

SEC. 16. *And be it further enacted*, That upon the making of any such transfer and delivery, the association making the same shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations, in blank registered and countersigned as hereinafter provided, equal in amount to ninety per centum of the current market value of the United States bonds so transferred and delivered, but not exceeding the par value thereof, if bearing interest at the rate of six per centum, or of equivalent United States bonds bearing a less rate of interest; and at no time shall the total amount of such notes, issued to any such association, exceed the amount at such time actually paid in of its capital stock.

Ninety per cent of bonds deposited.

Limitation of notes supplied to 300,000,000 dollars.

SEC. 17. *And be it further enacted*, That the entire amount of circulating notes to be issued under this act shall not exceed three hundred millions of dollars. One hundred



and fifty millions of which sum shall be apportioned to associations in the States, in the District of Columbia, and in the Territories, according to representative population, and the remainder shall be apportioned by the Secretary of the Treasury among associations formed in the several States in the District of Columbia and in the Territories, having due regard to the existing banking capital, resources, and business, of such States, District and Territories.

Apportionment of notes.

SEC. 18. *And be it further enacted*, That, in order to furnish suitable notes for circulation, the Comptroller of the Currency is hereby authorized and required, under the direction of the Secretary of the Treasury, to cause plates to be engraved, in the best manner to guard against counterfeiting and fraudulent alterations, and to have printed therefrom and numbered, such quantity of circulating notes, in blank, of the denominations of five dollars, ten dollars, twenty dollars, fifty dollars, one hundred dollars, five hundred dollars, and one thousand dollars, as may be required to supply, under this act, the associations entitled to receive the same; which notes shall express upon their face that they are secured by United States bonds, deposited with the Treasurer of the United States and issued under the provisions of this act, which statement shall be attested by the written or engraved signatures of the Treasurer and Register, and by the imprint of the seal of the treasury; and shall also express upon their face the promise of the association receiving the same, to pay on demand, attested by the signatures of the president or vice-president and cashier; and the said notes shall bear such devices and such other statements, and shall be in such form, as the Secretary of the Treasury shall, by regulation, direct.

Comptroller to prepare and furnish notes.

Denominations defined.

Signature of president and cashier.

SEC. 19. *And be it further enacted*, That the plates and special dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the provisions of this act respecting the procuring of such notes, shall be audited and paid as contingent expenses of the Treasury Department; and for the purpose of reimbursing the same, and all other expenses incurred under this act, and in lieu of all taxes upon the circulation authorized by this act,\* or upon the bonds deposited for the security of the same, such association organized under this act shall semi-annually, on the first days of January and July, after its organization, pay to the Comptroller of the Currency, in lawful money of the United States, one per centum on the amount of

Care and control of plates and dies.

Expenses, how paid.

One per cent reserved.

\* Modified by section 7 of the "Act to provide ways and means for the support of the government," approved March 3, 1863, which section is printed for convenience of reference at the end of this act. See page 33.



circulating notes received by such association, and in default thereof the Treasurer of the United States is hereby authorized to reserve and retain one per centum on the amount of said bonds so deposited, at each semi-annual payment of interest thereon; and all sums so reserved and retained shall be paid into the treasury under the direction of the Secretary, and every bank, banking association, or corporation not organized under the provisions of this act, issuing notes calculated or intended to circulate as money, shall, on the first day of July next, and regularly on the first days of January and July thereafter, make and deliver to the Comptroller of the Currency a true and accurate return of the gross amount of notes issued by it, whether in circulation, or in its vaults, or on deposit elsewhere; and in default of any such return, the bank, banking association, or corporation so failing to make return, shall pay to the United States a penalty of two per centum upon its entire capital stock, to be recovered, for the use of the United States, in any court of competent jurisdiction.

Returns of  
banks not or-  
ganized under  
this act.

Penalty for  
default.

Associations  
authorized to  
issue these  
notes.

Notes to be  
received for all  
U.S. dues, ex-  
cept imports.

Issue of other  
notes forbidden.

Transfers of  
bonds by asso-  
ciations, how  
made.

No transfer  
by Treasurer  
valid except.

SEC. 20. *And be it further enacted*, That after any such association shall have caused its promise to pay such notes on demand to be signed by the president or vice-president and cashier thereof, in such manner as to make them obligatory promissory notes, payable on demand, at its place of business, such association is hereby authorized to issue and circulate the same as money; and the same shall be received at par in all parts of the United States in payment of taxes, excise, public lands, and all other dues to the United States, except for duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on public debt; and no such association shall issue post notes or any other notes to circulate as money than such as are authorized by the foregoing provisions of this act.

SEC. 21. *And be it further enacted*, That all transfers of the United States bonds which shall be made by any association as security for circulating notes under the provisions of this act, shall be made to the Treasurer of the United States, with a memorandum written or printed on the certificate of such bonds, and signed by the cashier or some other officer of the association making the deposit, stating that it is held in trust for the association on whose behalf such transfer is made, and as security for the redemption and payment of the circulating notes delivered to such association; and no transfer of any such bonds by the Treasurer shall be deemed valid, or of binding force and effect, unless sanctioned by the order or request of the Comptroller of the Currency upon the Treasurer.

It shall be the duty of the Comptroller of the Currency to keep in his office a book in which shall be entered the name of every association from whose accounts such transfer of bonds is made by the Treasurer, and the name of the party to whom such transfer is made, unless such transfer is made in blank, in which case the fact shall be stated in said book, and in either case the par value of the bonds so transferred shall be entered therein; and it shall be the duty of the Comptroller, immediately upon countersigning and entering the same, to advise by mail the association from whose account such transfer was made, the kind of bonds and the amount thereof so transferred.

Duties of  
Comptroller  
upon transfer.

Associations  
to be advised  
by the Comptroller.

SEC. 22. *And be it further enacted,* That it shall be the duty of the Comptroller of the Currency to countersign and enter in the book, in the manner aforesaid, every transfer or assignment of any bonds held by the Treasurer presented for his signature; and the Comptroller shall have at all times during office hours access to the books of the Treasurer, for the purpose of ascertaining the correctness of the transfer or assignment presented to him to countersign; and the Treasurer shall have the like access to the book above mentioned, kept by the Comptroller, during office hours, to ascertain the correctness of the entries in the same.

Duties of  
Comptroller  
upon transfer  
of bonds.

SEC. 23. *And be it further enacted,* That it shall be the duty of either the president or cashier of every banking association having stocks deposited in the office of the Treasurer of the United States, once or more in each fiscal year, and at such time or times during the ordinary business hours as said officer or officers may select, to examine and compare the bonds so pledged with the books of said department, and, if found correct, to execute to the said Treasurer a certificate setting forth the different kinds and the amounts thereof, and that the same are in the possession and custody of the Treasurer at the date of such certificate. Such examination may be made by an agent of such association, duly appointed in writing for that purpose, whose certificate before mentioned shall be of like force and validity as if executed by such president or cashier.

Periodical  
examination of  
bonds deposited.

Examination  
by agent.

SEC. 24. *And be it further enacted,* That every association issuing circulating notes under the provisions of this act shall make a quarterly report to the Comptroller of the Currency, commencing on the first day of the quarter of the year next succeeding the organization of such association, and continuing on the first days of each succeeding quarter in every year thereafter, which report shall be verified by the oath or affirmation of the president and cashier, and all wilful false swearing in respect to such report shall be perjury, and subject to

Verified  
quarterly re-  
ports.

False state-  
ments perjury.



Form and contents of report.

the punishment prescribed by law for such offence. The report hereby required shall be in the form prescribed by the Comptroller, and shall contain a true statement of the condition of the association making such report, before the transaction of any business on the morning of the day specified, next preceding the date of such report, in respect of the following items and particulars, to wit: Loans and discounts, overdrafts due from banks, amount due from the directors of the association, real estate, specie, cash items, stocks, bonds, and promissory notes, bills of solvent banks, bills of suspended banks, loss and expense accounts, capital, circulation, profits, amount due to banks, amount due to individuals and corporations other than banks, amount due the Treasurer of the United States, amount due to depositors on demand, amount due not included under either of the above heads. And it shall be the duty of the Comptroller to publish full abstracts of such reports together in two newspapers, to be designated by him for that purpose—one in the city of Washington and the other in the city of New York—exhibiting the items of capital, circulation, and deposits, specie, and cash items, public securities and private securities; and the separate report of each association shall be published in a newspaper published in the place where such association is established, or, if there be no newspaper at such place, then in a newspaper published at the capital of the State, at the expense of the association making such report. In addition to the quarterly reports required by this section, every association located and doing business in the cities of Boston, Providence, New York, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis, and New Orleans, shall publish, or cause to be published, on the morning of the first Tuesday in each month, in a newspaper printed in the city in which the association making such report is located, to be designated by the Comptroller of the Currency, a statement, under the oath of the president or cashier, showing the condition of the association making such statement, on the morning of the day next preceding the date of such statement, in respect to the following items and particulars, to wit; average amount of loans and discounts, specie, deposits, and circulation.

Comptroller to publish abstracts.

Association to publish reports.

Certain associations to report monthly under oath.

Protest of notes and proceedings thereon.

SEC. 25. *And be it further enacted*, That if any such association shall, at any time fail to redeem, in the lawful money of the United States, any of its circulating notes, when payment thereof shall be lawfully demanded, during the usual hours of business, at the office of such association, the holder may cause the same to be protested, in one package, by a notary public, unless the president or cashier of the association shall offer to waive demand and notice of the protest, and



shall, in pursuance of such offer, make, sign, and deliver to the party making such demand, an admission in writing, stating the time of the demand, the amount demanded, and the fact of the non-payment thereof; and such notary public, on making such protest, or upon receiving such admission, shall forthwith forward such admission or notice of protest to the Comptroller of the Currency; and after such default it shall not be lawful for the association suffering the same, to pay out any of its notes, discount any notes or bills, or otherwise prosecute the business of banking, except to receive and safely keep money belonging to it, and to deliver special deposits: *Provided, however,* That if satisfactory proof be produced to such notary public that the payment of any such notes is restrained by order of any court of competent jurisdiction, such notary public shall not protest the same; and when the holder of such notes shall cause more than one note or package to be protested, on the same day, he shall not receive pay for more than one protest.

Duties of association upon suspension.

SEC. 26. *And be it further enacted,* That on receiving notice that any such association has failed to redeem any of its circulating notes, as specified in the next preceding section, the Comptroller of the Currency, with the concurrence of the Secretary of the Treasury, may appoint a special agent, (of whose appointment immediate notice shall be given to such association,) who shall immediately proceed to ascertain whether such association has refused to pay its circulating notes, in the lawful money of the United States, when demanded as aforesaid, and report to the Comptroller the facts so ascertained; and if, from such protest or the report so made, the Comptroller shall be satisfied that such association has refused to pay its circulating notes as aforesaid, and is in default, he shall, within thirty days after he shall have received notice of such failure, declare the United States bonds and securities pledged by such association forfeited to the United States, and the same shall thereupon be forfeited accordingly; and thereupon the Comptroller shall immediately give notice in such manner as the Secretary of the Treasury shall, by general rules or otherwise, direct, to the holders of the circulating notes of such association to present them for payment at the Treasury of the United States, and the same shall be paid as presented; whereupon said Comptroller may, in his discretion, cancel an equal amount of bonds pledged by such association, equal at current market rates, not exceeding par, to the notes paid; and it shall be lawful for the Secretary of the Treasury, from time to time, to make such regulations respecting the disposition to be made of such circulating notes after presentation thereof for payment as aforesaid, and respect-

Proceedings of Comptroller upon notice of protest.

Special agent.

Notes of association paid at the treasury U. S.

U. S. to have  
prior lien upon  
assets.

ing the perpetuation of the evidence of the payment thereof, as may seem to him proper; but all such notes, on being paid, shall be cancelled; and for any deficiency in the proceeds of the bonds pledged by such association, when disposed of as hereinafter specified, to reimburse to the United States the amount so expended in paying the circulating notes of such association, the United States shall have a first and paramount lien upon all the assets of such association, and such deficiency shall be made good out of such assets in preference to any and all other claims whatsoever, except the necessary costs and expenses of administering the same.

Bonds of fail-  
ing association  
may be sold at  
auction.

SEC. 27. *And be it further enacted*, That whenever the Comptroller shall become satisfied, as in the last preceding section specified, that any such association has refused to pay its circulating notes as therein mentioned, he may instead of cancelling the United States bonds pledged by such association, as provided in the next preceding section, cause so much of them as may be necessary to redeem the outstanding circulating notes of such association to be sold at public auction in the city of New York, after giving thirty days notice of such sale to such association.

Private sale  
of bonds.

SEC. 28. *And be it further enacted*, That the Comptroller of the Currency may, if he shall be of opinion that the interests of the United States will be best promoted thereby, sell at private sale any of the stock so transferred to him by such association, and receive therefore either money or the circulating notes of such failing association: *Provided*, That no such bonds shall be sold by private sale for less than the par, nor less than the market value thereof at the time of sale: *And provided, further*, That no sales of any such stock, either public or private, shall be complete until the transfer thereof shall have been made with the formalities prescribed in this act.

Receiver,  
bond and  
duties.

SEC. 29. *And be it further enacted*, That on becoming satisfied, as specified in this act, that any such association has refused to pay its circulating notes as therein mentioned, and is in default, the Comptroller of the Currency may forthwith appoint a receiver, and require of him such bond and security as he shall deem proper, who, under the direction of the Comptroller, shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to such association, and upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like order, sell all the real and personal property of such association, on such terms as the court shall direct and such receiver shall



pay over all moneys so made to the Treasurer of the United States, and also make report to the Comptroller of the Currency of all his acts and proceedings. The Comptroller shall thereupon cause notice to be given, by advertisement in such newspapers as he may direct, for three consecutive months, calling on all persons who may have claims against such association to present the same, and to make legal proof thereof. And from time to time the Comptroller, after full provision shall have been first made for refunding to the United States any such deficiency in redeeming the notes of such association as is mentioned in this act, shall make a rateable dividend of the moneys so paid over to him by such receiver on all such claims as may have been so proved or adjudicated in a court of competent jurisdiction; and from time to time, as the proceeds of the assets of such association shall be paid over to him, he shall make further dividends, as aforesaid, on all claims previously proved or adjudicated; and the remainder of such proceeds, if any, shall be paid over to the shareholders of such association, or their legal representatives, in proportion to the stock by them respectively held: *Provided, however,* That if any such association against which proceedings have been so instituted on account of any alleged refusal to redeem its circulating notes as aforesaid, shall deny having failed to do so, such association may, at any time within ten days after such association shall have been notified of the appointment of an agent, as provided in this act, apply to the nearest circuit, or district, or territorial court of the United States, to enjoin further proceedings in the premises; and such court, after citing the Comptroller of the Currency to show cause why further proceedings should not be enjoined, and after the decision of the court or finding of a jury that such association has not refused to redeem its circulating notes, when legally presented, in the lawful money of the United States, shall make an order enjoining the Comptroller, and any receiver acting under his direction, from all further proceedings on account of such alleged refusal.

Duties of  
Comptroller  
upon report of  
receiver.

Disburse-  
ment of assets.

Association  
may enjoin  
proceedings.

SEC. 30. *And be it further enacted,* That the bonds transferred to the Treasurer of the United States, as hereinbefore provided, by any banking association for the security of its circulating notes, shall be held exclusively for that purpose, until such notes shall be redeemed, except as provided in this act; but the Comptroller of the Currency may give to any such banking association powers of attorney to receive and appropriate to its own use the interest on the bonds which shall have been so transferred to the Treasurer by it; but such powers shall become inoperative whenever such banking association shall fail to redeem its circulating notes as afore-

Bonds depo-  
sited to be ex-  
clusively as se-  
curity.

Interest on  
bonds.



Return of said. And said Comptroller may direct the return of any said bonds. upon the surrender to him and the cancellation of a proportionate amount of such circulating notes: *Provided*, That ninety per centum of the current market value of the remaining bonds which shall have been transferred by the banking association offering to surrender such circulating notes shall be equal to the amount of all the circulating notes retained by such banking association: *And provided, further*, That there shall have been no failure by such association to redeem its circulating notes, and that there shall have been no other violation by such association of any of the provisions of this act for the security of the creditors of such association; nor

No surrender under 1,000 dols. shall the Treasurer be required to surrender such bonds in fractional sums of less than one thousand dollars. And if, at any time after said bonds shall be deposited with the Treasurer of the United States, as aforesaid, the market or cash value shall be reduced, the Comptroller of the Currency is hereby authorised to demand and receive the amount of such depreciation in other United States bonds at cash value, or in money, from the association receiving said bills, to be deposited with the Treasurer of the United States, as long as such depreciation continues.

Depreciation of bonds deposited. SEC. 31. *And be it further enacted*, That whenever the price of any of the bonds pledged, as aforesaid, for the redemption of the circulating notes of any such banking association shall be at the stock exchange in the city of New York for four consecutive weeks, at a rate less than that at which they shall have been estimated when so pledged, and such depreciation shall not have been made good by a deposit of other bonds or money, it shall be the duty of the Comptroller of the Currency to notify the Treasurer of the United States of such fact, and the payment of interest upon such depreciated bonds shall be suspended; and such interest shall be retained by said Treasurer until the same, when added to the current market value of the bonds so pledged, to be ascertained as before provided, shall be equal to the amount for which such bonds were pledged: *Provided*, That it shall be the duty of the Comptroller of the Currency, at the expiration of every period of three months, to cause the whole of the sums so retained, and then remaining in the treasury of the United States, to be invested in United States bonds, in the name of the Comptroller of the Currency, in trust for the respective associations by which the bonds on which such interest shall have accrued shall have been pledged. And whenever the price of such depreciated bonds at the stock exchange in New York shall rise to the price at which they

Interest on bonds to be retained, when.

Investment of interest retained.

Transfer of proceeds of investment of interest.

were pledged, and so remain for four consecutive weeks, such investment shall be assigned to such association, and all accruing interest on such pledged bonds shall thereafter be paid to such association, on demand thereof.

SEC. 32. *And be it further enacted*, That it shall be the duty of the Comptroller of the Currency to receive worn-out or mutilated circulating notes issued by any such banking association, and to deliver in place thereof to such association other blank circulating notes to an equal amount. And such worn-out or mutilated notes, after a memorandum shall have been entered in the proper books, in accordance with such regulations as may be established by the Comptroller, as well as all circulating notes which shall have been paid or surrendered to be cancelled, shall be burned to ashes in presence of three persons, one to be appointed by the Secretary of the Treasury, one by the Comptroller of the Currency, and one by the Treasurer of the United States, under such regulations as the Secretary of the Treasury may prescribe; and in case such notes shall have been delivered to the Comptroller by an officer or agent of such association, then in the presence, also, of such officer or agent. And a certificate of such burning, signed by the parties so appointed, shall be made in the books of the Comptroller, and a duplicate thereof given to such officer or agent.

Surrender and destruction of mutilated, &c., currency.

SEC. 33. *And be it further enacted*, That it shall be unlawful for any officer acting under the provisions of this act to countersign or deliver to any such association, or to any other company or person, any circulating notes contemplated by this act, except as hereinbefore provided, and in accordance with the true intent and meaning of this act. And any officer who shall violate the provisions of this section shall be deemed guilty of a high misdemeanor, and on conviction thereof shall be punished by fine not exceeding double the amount so countersigned and delivered, and imprisonment not exceeding fifteen years, at the discretion of the court in which he shall be tried.

Punishment for delivering notes except as herein provided.

SEC. 34. *And be it further enacted*, That all fees for protesting the notes issued by any such banking association shall be paid by the person procuring the protest to be made, and such banking association shall be liable therefore; but no part of the stock pledged by such banking association, as aforesaid, shall be applied to the payment of such fees. And all expenses of any preliminary or other examinations into the condition of any association shall be paid by such association; and all expenses of any receivership shall be paid out of the assets of such association before distribution of the proceeds thereof.

Fees for protest, examination, and receiverships, how paid.



Indebtedness  
of stockholders  
restricted.

SEC. 35. *And be it further enacted*, That the stockholders, collectively, of any such association shall at no time be liable to such association, either as principal debtors or sureties, or both, to an amount greater than three-fifths of the capital stock actually paid in and remaining undiminished by losses or otherwise; nor shall the directors be so liable, except to such amount and in such a manner as shall be prescribed by the by-laws of such association, adopted by its stockholders to regulate such liabilities.

Division, as-  
signment, and  
transfer of  
shares.

SEC. 36. *And be it further enacted*, That the capital stock of any association formed under this act shall be divided into shares of one hundred dollars each, and shall be assignable on the books of the association in such manner as its by-laws shall prescribe; but no shareholder in any association under this act shall have power to sell or transfer any share held in his own right so long as he shall be liable, either as principal, debtor, surety, or otherwise, to the association for any debt which shall have become due and remain unpaid, nor in any case shall such shareholder be entitled to receive any dividend, interest, or profit on such shares so long as such liabilities shall continue; but all such dividends, interests, and profits shall be retained by the association, and applied to the discharge of such liabilities. And no stock shall be transferred without the consent of a majority of the directors while the holder thereof is thus indebted to the association.

Loans on  
shares forbid-  
den.

SEC. 37. *And be it further enacted*, That no banking association shall take, as security for any loan or discount, a lien upon any part of its capital stock; but the same security, both in kind and amount, shall be required of shareholders as of other persons. And no such banking association shall be the purchaser or holder of any portion of its capital stock, or of the capital stock of any other incorporated company, unless such purchase shall be necessary to prevent loss upon a debt previously contracted in good faith, or security which, at the time, was deemed adequate to insure the payment of such debt, independent of any lien upon such stock, or in case of forfeiture of stock for the non-payment of instalments due thereon; and stock so purchased or acquired shall in no case be held by such association so purchasing for a longer period of time than six months, if the same can, within that time, be sold for what the stock cost.

Purchase of  
capital stock  
forbidden.

Elections of  
directors, votes  
of shareholders

SEC. 38. *And be it further enacted*, That in all elections of directors, and in deciding all questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or bookkeeper of such association shall act as proxy; and no

Proxies.



stockholder whose liability is past due and unpaid shall be allowed to vote.

SEC. 39. *And be it further enacted*, That the affairs of every such association shall be managed by not less than five nor more than nine directors; one of whom shall be president of the association. Every director shall, during his whole term of service, be a citizen of the United States and a resident of the State in which such association is located. At least three-fourths of the directors shall have resided in the State in which such association is located one year next preceding their election as directors; and each director shall own, in his own right, at least one per centum of the capital stock of such association, not exceeding two hundred thousand dollars, and the half of one per centum of its capital if over two hundred thousand dollars. Each director shall take an oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such association, and will not knowingly violate, or willingly permit to be violated, any of the provisions of this act, and that he is the bona fide owner, in his own right, of the shares of stock standing in his name on the books of the association, and that the same is not hypothecated, or in any way pledged, as security for any loan obtained or debt owing to the association of which he is a director, which oath, subscribed by himself, and certified by the officer before whom it is taken, shall be immediately transmitted to the Comptroller of the Currency, and by him filed and preserved in his office.

SEC. 40. *And be it further enacted*, That the directors of any such association, first elected, shall hold their places until their successors shall be elected and qualified. All subsequent elections shall be held annually, on such day in the month of January as the stockholders of said association may prescribe; and the directors so elected shall hold their places for one year, and until their successors are elected and qualified. But any director removing from the State, or ceasing to be the owner of the requisite amount of stock, shall thereby vacate his place. Any vacancy in the board shall be filled by appointment by the remaining directors. The director so appointed shall hold his place until the next annual election; and if, from any cause, an election of directors shall not be made at the time appointed, the association shall not for that cause be dissolved, but an election may be held on any subsequent day, thirty days' notice thereof having been given in a newspaper printed, or of general circulation, in the city, town, or county in which the association is located; and if no newspaper is published in such city, town, or county, such notice shall be published in a newspaper in the county adjoining.

Number of directors, qualification and oath.

Duration of office, annual election in January.

Vacancies.

Fund to be  
always main-  
tained on hand.

SEC. 41. *And be it further enacted*, That every such association shall at all times have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of the aggregate amount of its outstanding notes of circulation and its deposits; and whenever the amount of its outstanding notes of circulation and its deposits shall exceed the above named proportion for the space of twelve days, or whenever such lawful money of the United States shall at any time fall below the amount of twenty-five per centum of its circulation and deposits, such association shall not increase its liabilities by making any new loans or discounts otherwise than by discounting or purchasing bills of exchange, payable at sight, nor make any dividend of its profits, until the required proportion between the aggregate amount of its outstanding notes of circulation and its deposits and lawful money of the United States shall be restored: *Provided, however*,

Clearing-  
house certi-  
ficates.

That clearing-house certificates, representing specie or lawful money specially deposited for the purpose of any clearing-house association, shall be deemed to be lawful money in the possession of any association belonging to such clearing-house holding and owning such certificates, and considered to be a part of the lawful money which such association is required to have, under the foregoing provisions of this section: *Provided*,

Balances in  
cities equiva-  
lent to cash.

*further*, That any balance due to any association organized under this act in other places from any association in the cities of Boston, Providence, New York, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis, or New Orleans, in good credit, subject to be drawn for at sight and available to redeem their circulating notes and deposits, may be deemed to be a part of the lawful money which such association, in other places than the cities of Boston, Providence, New York, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis, and New Orleans, is required to have by the foregoing provisions of this section to the extent of three-fifths of the said amount of twenty-five per centum required.

Association  
failing to make  
good the re-  
serve may be  
wound up.

And it shall be competent for the Comptroller of the Currency to notify any such association whose lawful money reserve, as aforesaid, shall fall below said proportion of twenty-five per centum, to make good such reserve; and if such association shall fail for thirty days thereafter so to make good its reserve of lawful money of the United States, the Comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up the business of such association, as provided in this act.

Limitation of  
indebtedness  
prescribed.

SEC. 42. *And be it further enacted*, That no association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in, and remaining undiminished by losses



or otherwise, except on the following accounts, that is to say :—

First. On account of its notes of circulation.

Second. On account of moneys deposited with, or collected by, such association.

Third. On account of bills of exchange or drafts drawn against money actually on deposit to the credit of such association, or due thereto.

Fourth. On account of liabilities to its stockholders, for money paid in on capital stock, and dividends thereon, and reserved profits.

SEC. 43. *And be it further enacted*, That no association shall, either directly or indirectly, pledge or hypothecate any of its notes of circulation, for the purpose of procuring money, to be paid in on its capital stock, or to be used in its banking operations, or otherwise. Pledge of notes enjoined.

SEC. 44. *And be it further enacted*, That no association, or any member thereof, shall, during the time it shall continue its banking operations, withdraw, or permit to be withdrawn, either in form of dividends, loans to stockholders for a longer time than six months, or in any other manner, any portion of its capital. And if losses shall at any time have been sustained by any such association equal to or exceeding its undivided profits then on hand, no dividend shall be made ; and no dividend shall ever be made by any association, while it shall continue its banking operations, to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. And all debts due to any association, on which interest is past due and unpaid for a period of six months, unless the same shall be well secured, and shall be in process of collection, shall be considered bad debts within the meaning of this act. Withdrawal of capital enjoined.  
Loans limited to six months.  
Dividends restricted.  
Bad debts defined.

SEC. 45. *And be it further enacted*, That the directors of every association shall, semi-annually, in the months of May and November, declare a dividend of so much of the profits of such association as they shall judge expedient ; and on each dividend day the cashier shall make, and verify by his oath, a full, clear, and accurate statement of the condition of the association, as it shall be on that day after declaring the dividend ; which statement shall contain— Dividends, when and how made.  
Semi-annual statement required.

First. The amount of the capital stock actually paid in and then remaining as the capital stock of such bank or association.

Secondly. The amount of the circulating notes of such association then in circulation.

Thirdly. The greatest amount in circulation at any time



since the making of the last previous statement, as shall have been exhibited by the weekly statements of the cashier, specifying the times when the same occurred.

Fourthly. The amount of balances and debts of every kind due to other banks and banking associations.

Fifthly. The amount due to depositors.

Sixthly. The total amount of debts and liabilities of every description, and the greatest amount since the making of the last previous statement, specifying the time when the same accrued.

Seventhly. The total amount of dividend declared on the day of making the statement.

Eighthly. The amount of lawful money of the United States belonging to the association and in its possession at the time of making the statement.

Balances in  
cities.

Ninthly. The amount subject to be drawn at sight, in lawful money of the United States, then remaining on deposit with any associations, banks, or bankers; specifying the amounts so on deposit in the cities of Boston, Providence, New York, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis, and New Orleans.

Tenthly. The amount then on hand of bills or notes, issued by other banks and banking associations.

Eleventhly. The amount of balances due from other banks, bankers, and banking associations, excluding deposits subject to be drawn at sight as aforesaid.

Twelfthly. The amount on hand of bills, bonds, stocks, notes, and other evidences of debts, discounted or purchased by the association, specifying particularly the amount of suspended debt, the amount considered bad, the amount considered doubtful, and the amount in suit or judgment.

Thirteenthly. The value of the real and personal property held for the convenience of the association, specifying the amount of each.

Fourteenthly. The amount of real estate taken in payment of debts due to the association.

Fifteenthly. The amount of the undivided profits of the association.

Sixteenthly. The total amount of the liability to the association by the directors thereof, collectively, specifying the gross amount of such liabilities as principal debtors, and the gross amount of indorsers or sureties.

The statement thus made shall forthwith be transmitted to the Comptroller of the Currency.

Banking pri-  
vileges  
granted.

SEC 46. *And be it further enacted*, That every association may take, reserve, receive, and charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of

debt, such rate of interest or discount as is for the time the established rate of interest for delay in the payment of money, in the absence of contract between the parties, by the laws of the several States in which the associations are respectively located, and no more: *Provided, however,* That interest may be reserved or taken in advance, at the time of making the loan or discount, according to the usual rules of banking; and the knowingly taking, reserving, or charging of a rate of interest greater than that allowed by this section shall be held and adjudged a forfeiture of the debt or demand on which the same is taken, reserved, or charged; but the purchase, discount, or sale of a bill of exchange, drawn on actually existing values, and payable at another place than the place of such purchase, discount, or sale, at the current discount or premium, shall not be considered as taking, reserving, or charging interest.

Rate of interest.

Usury.

SEC. 47. *And be it further enacted,* That the total liabilities of any person, or of any company or firm (including in the liabilities of a company or firm the liabilities of the several members thereof), to any association, including liabilities as acceptor of bona fide bills of exchange, payable out of the State where the association is located, shall at no time exceed one-third; exclusive of liabilities as acceptor, one-fifth; and exclusive of liabilities on such bills of exchange, one-tenth part of the amount of the capital stock of such association actually paid in.

Liabilities of customers restricted.

SEC. 48. *And be it further enacted,* That no association shall, at any time, pay out on loans or discounts, or in purchasing drafts or bills of exchange, or in payment of deposits, nor shall it in any other mode put in circulation the notes of any bank or banking association, which notes shall not, at any such time, be receivable, at par, on deposit, and in payment of debts by the association so paying out or circulating such notes; nor shall it knowingly pay out or put in circulation any notes issued by any bank or banking association which at the time of such paying out or putting in circulation is not redeeming its circulating notes in lawful money of the United States.

Uncurrent money not to be circulated.

SEC. 49. *And be it further enacted,* That all transfer of the notes, bonds, bills of exchange, and other evidences of debt owing to any association, or of deposits to its credit; all assignments of mortgages, sureties on real estate, or of judgments or decrees in its favour; all deposits of money, bullion, or other valuable thing for its use, or for the use of any of its shareholders or creditors; and all payments of money to either, made after the commission of an act of insolvency, or in contemplation thereof, with a view to prevent the application of

Act prejudicial to creditors in contemplation of insolvency void.



its assets in the manner prescribed by this act, or with a view to the preference of one creditor to another, except in payment of the circulating notes, shall be utterly null and void.

Malfesance  
of officers and  
directors.

SEC. 50. *And be it further enacted*, That if the directors of any association shall knowingly violate, or knowingly permit any of the officers, agents or servants of the association to violate, any of the provisions of this act, all the rights, privileges, and franchises of the association, derived from this act, shall be thereby forfeited. Such violation shall, however, be determined and adjudged by a proper circuit, district, or territorial court of the United States, before the association shall be declared dissolved. And in cases of such violation, every director who participated in or assented to the same shall be held liable in his personal and individual capacity for all damages which the association, its shareholders, or any other person, shall have sustained in consequence of such violation.

Visitor, how  
and when ap-  
pointed, duties  
of.

SEC. 51. *And be it further enacted*, That the Comptroller of the Currency, with the approbation of the Secretary of the Treasury, as often as shall be deemed necessary or proper, shall appoint a suitable person or persons to make an examination of the affairs of every banking association, which person shall not be a director or other officer in any association whose affairs he shall be appointed to examine, and who shall have power to make a thorough examination into all the affairs of the association, and, in doing so, to examine any of the officers and agents thereof on oath, and shall make a full and detailed report of the condition of the association to the Comptroller; and the association shall not be subject to any other visitatorial powers than such as are authorized by this act, except such as are vested in the several courts of law and chancery. And every person appointed to make such examination shall receive for his services at the rate of five dollars for each day by him employed in such examination, and two dollars for every twenty-five miles he shall necessarily travel in the performance of his duty, which shall be paid by the association by him examined.

Compensa-  
tion of.

Misdemeanor  
of officers.

SEC. 52. *And be it further enacted*, That every president, director, cashier, teller, clerk, or agent of any association, who shall embezzle, abstract, or wilfully misapply any of the moneys, funds, or credits of the association, or shall, without authority from the directors, issue or put in circulation any of the notes of the association, or shall, without such authority, issue or put forth any certificate of deposit, draw any order or bill of exchange, make any acceptance, assign any note, bond, draft, bill of exchange, mortgage, judgment, or decree, or shall make any false entry in any book, report, or statement



of the association, with intent, in either case, to injure or defraud any other company, body politic or corporate, or any individual person, or to deceive any officer or agent appointed to examine the affairs of any such association, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment not less than five nor more than ten years.

SEC. 53. *And be it further enacted,* That the president and cashier of every such association shall cause to be kept at all times a full and correct list of the names and residences of all the shareholders in the association, in the office where its business is transacted; and such list shall be subject to the inspection of all the shareholders and creditors of the association during business hours of each day in which business may be legally transacted; and a copy of such list, verified by the oath of such president or cashier, shall, at the beginning of every year, be transmitted to the Comptroller of the Currency, commencing on the first day of the first quarter after the organization of the association.

Names, residence, &c., of shareholders.

SEC. 54. *And be it further enacted,* That the Secretary of the Treasury is hereby authorized, whenever, in his judgment, the public interest will be promoted thereby, to employ any of such associations, doing business under this act, as depositories of the public moneys, except receipts from customs.

Associations may become depositories of public moneys.

SEC. 55. *And be it further enacted,* That all suits and proceedings arising out of the provisions of this act, in which the United States or its officers or agents shall be parties, shall be conducted by the district attorneys of the several districts, under the direction and supervision of the Solicitor of the Treasury.

Suits and proceedings under this act.

SEC. 56. *And be it further enacted,* That every person who shall mutilate, cut, deface, disfigure, or perforate with holes, or shall unite or cement together, or do any other thing to any bank bill, draft, note, or other evidence of debt issued by any such association, or shall cause or procure the same to be done, with intent to render such bank bill, draft, note, or other evidence of debt unfit to be reissued by said association, shall upon conviction forfeit fifty dollars to the association who shall be injured thereby, to be recovered by action in any court having jurisdiction.

Penalties for mutilation of paper issued under this act.

SEC. 57. *And be it further enacted,* That if any person shall falsely make, forge, or counterfeit, or cause or procure to be made, forged, or counterfeited, or willingly aid or assist in falsely making, forging, or counterfeiting, any note in imitation of, or purporting to be in imitation of, the circulating

Forgery, uttering, &c., penalties for.

notes issued under the provisions of this act, or shall pass, utter, or publish, or attempt to pass, utter, or publish, any false, forged, or counterfeited note, purporting to be issued by any association doing a banking business under the provisions of this act, knowing the same to be falsely made, forged, or counterfeited, or shall falsely alter, or cause or procure to be falsely altered, or willingly aid or assist in falsely altering, any such circulating notes, issued as aforesaid, or shall pass, utter, or publish, or attempt to pass, utter, or publish any falsely altered or spurious circulating note issued, or purporting to have been issued, as aforesaid, knowing the same to be falsely altered or spurious, every such person shall be deemed and adjudged guilty of felony, and being thereof convicted by due course of law, shall be sentenced to be imprisoned and kept at hard labor for a period not less than five years nor more than fifteen years, and to be fined in a sum not exceeding one thousand dollars.

Making, engraving, &c., plates, or having them in custody, penalties for.

Having blank notes or paper adapted to banking.

SEC. 58. *And be it further enacted,* That if any person shall make or engrave, or cause or procure to be made or engraved, or shall have in his custody or possession any engraved plate or block after the similitude of any plate from which any circulating notes issued as aforesaid shall have been printed, with intent to use such plate or block, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid; or shall have in his custody or possession any blank note or notes engraved and printed after the similitude of any notes issued as aforesaid, with intent to use such blanks, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, or shall have in his custody or possession any paper adapted to the making of such notes, and similar to the paper upon which any such notes shall have been issued, with intent to use such paper, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, every such person, being thereof convicted by due course of law, shall be sentenced to be imprisoned and kept to hard labor for a term not less than five nor more than fifteen years, and fined in a sum not exceeding one thousand dollars.

Jurisdiction.

SEC. 59. *And be it further enacted,* That suits, actions, and proceedings by and against any association under this act, may be had in any circuit, district, or territorial court of the United States held within the district in which such association may be established.

Annual report of Comptroller.

SEC. 60. *And be it further enacted,* That it shall be the duty of the Comptroller of the Currency to report annually to Congress, at the commencement of its session—



First. A summary of the state and condition of every association from whom reports have been received the preceding year, at the several dates to which such reports refer; with an abstract of the whole amount of banking capital returned by them, of the whole amount of their debts and liabilities, the amount of circulating notes outstanding, and the total amount of means and resources, specifying the amount of specie held by them at the times of their several returns, and such other information in relation to said associations as, in his judgment, may be useful.

Condition of associations.

Second. A statement of the associations whose business has been closed during the year, with the amount of their circulation redeemed, and the amount outstanding.

Associations closed.

Third. To suggest any amendment to the laws relative to banking by which the system may be improved, and the security of the bill-holders and depositors may be increased.

Amendments to law.

Fourth. To report the names and compensation of the clerks employed by him, and the whole amount of the expenses of the banking department during the year; and such report shall be made by or before the first day of December in each year, and the usual number of copies for the use of the Senate and House, and one thousand copies for the use of the department, shall be printed by the public printer and in readiness for distribution on the first meeting of Congress.

Return of clerks.

Copies of report.

SEC. 61. *And be it further enacted*, That any banking association or corporation lawfully in existence as a bank of circulation on the first day of January, anno Domini eighteen hundred and sixty-three, organized in any State, either under a special act of incorporation or a general banking law, may at any time within \_\_\_\_\_ years after the passage of this act become an association under the provisions of this act; that in such case the certificate of association provided for by this act shall be signed by the directors of such banking association or corporation, and in addition to the specifications required by this act shall specify that such directors are authorized by the owners of two-thirds of the capital stock of such banking association or corporation to make such certificate of association, and such certificate of association shall thereafter have the same effect, and the same proceedings shall be had thereon, as is provided for as to other associations organized under this act. And such association or corporation thereafter shall have the same powers and privileges, and shall be subject to the same duties, responsibilities, and rules, in all respects, as is prescribed in this act for other associations organized under it, and shall be held and regarded as an association under this act.

Organization of other banks under this act.

SEC. 62. *And be it further enacted*, That any bank or State banks



may deliver U. S. bonds and receive notes to issue. banking association authorized by any State law to engage in the business of banking, and duly organized under such State law at the time of the passage of this act, and which shall be the holder and owner of United States bonds to the amount of fifty per centum of its capital stock, may transfer and deliver to the Treasurer of the United States such bonds, or any part thereof, in the manner provided by this act; and upon making such transfer and delivery, such bank or banking association shall be entitled to receive from the Comptroller of the Currency circulating notes, as herein provided, equal in amount to eighty per centum of the amount of the bonds so transferred and delivered.

Proceedings against State and other banks upon failure to redeem.

SEC. 63. *And be it further enacted*, That upon the failure of any such State bank or banking association to redeem any of its circulating notes issued under the provisions of the preceding section, the Comptroller of the Currency shall, when satisfied that such default has been made, and within thirty days after notice of such default, proceed to declare the bonds transferred and delivered to the Treasurer forfeited to the United States, and the same shall thereupon be forfeited accordingly; and thereupon the circulating notes which have been issued by such bank or banking association, shall be redeemed and paid at the treasury of the United States, in the same manner as other circulating notes issued under the provisions of this act are redeemed and paid.

Forfeited bonds of such banks, how treated.

SEC. 64. *And be it further enacted*, That the bonds forfeited, as provided in the last preceding section, may be cancelled to an amount equal to the circulating notes redeemed and paid, or such bonds may be sold, under the direction of the Secretary of the Treasury; and after retaining out of the proceeds a sum sufficient to pay the whole amount of circulating notes for the redemption of which such bonds are held, the surplus, if any remains, shall be paid to the bank or banking association from which such bonds were received.

Rights of Congress reserved.

SEC. 65. *Be it further enacted*, That Congress reserves the right at any time to amend, alter, or repeal this act.

Approved February 25, 1863.

## No. II.

## THE LOAN ACT OF 1863.

AN ACT TO PROVIDE WAYS AND MEANS FOR THE SUPPORT  
OF THE GOVERNMENT.

*Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled,* That the Secretary of the Treasury be and he is hereby authorized to borrow from time to time, on the credit of the United States, a sum not exceeding three hundred millions of dollars for the current fiscal year, and six hundred millions for the next fiscal year, and to issue therefor coupon or registered bonds, payable at the pleasure of the government after such periods as may be fixed by the Secretary, not less than ten nor more than forty years from date, in coin, and of such denominations, not less than fifty dollars, as he may deem expedient, bearing interest at a rate not exceeding six per centum per annum, payable, on bonds not exceeding one hundred dollars, annually, and on all other bonds semi-annually, in coin; and he may in his discretion dispose of such bonds at any time, upon such terms as he may deem most advisable, for lawful money of the United States, or for any certificates of indebtedness or deposit that may at any time be unpaid, or for any of the Treasury notes heretofore issued or which may be issued under the provisions of this act. And all the bonds and Treasury notes or United States notes issued under the provisions of this act shall be exempt from taxation by or under State or municipal authority: *Provided,* That there shall be outstanding of bonds, Treasury notes and United States notes, at any time, issued under the provisions of this act, no greater amount altogether than the sum of nine hundred millions of dollars.

SEC. 2. *And be it further enacted,* That the Secretary of the Treasury be and he is hereby authorized to issue, on the credit of the United States, four hundred millions of dollars in Treasury notes, payable at the pleasure of the United States, or at such time or times, not exceeding three years from date, as may be found most beneficial to the public interest, and bearing interest at a rate not exceeding six per centum per annum, payable at periods expressed on the face of said Treasury notes; and the interest on the said Treasury notes and on certificates of indebtedness and deposit hereafter issued shall be paid in lawful money.

The Treasury notes thus issued shall be of such denomination as the Secretary may direct, not less than ten dollars, and may be disposed of on the best terms that can be obtained, or may be paid to any creditor of the United States willing to receive the same at par. And said Treasury notes may be made a legal tender to the same extent as United States notes, for their face value, excluding interest: or they may be made exchangeable under regulations prescribed by the Secretary of the Treasury by the holder thereof, at the Treasury in the city of Washington, or at the office of any Assistant Treasurer or depository designated for that purpose, for United States notes equal in amount to the Treasury notes offered for exchange, together with the interest accrued and due thereon at the date of interest payment next preceding such exchange. And in lieu of any amount of said Treasury notes thus exchanged, or redeemed or paid at maturity, the Secretary may issue an equal amount of other Treasury notes; and the Treasury notes so exchanged, redeemed or paid, shall be cancelled and destroyed, as the Secretary may direct. In order to secure certain and prompt exchanges of United States notes for Treasury notes, when required as above provided, the Secretary shall have power to issue United States notes to the amount of one hundred and fifty millions of dollars, which may be used, if necessary, for such exchanges; but no part of the United States notes authorized by this section shall be issued for or applied to any other purposes than said exchanges; and whenever any amount shall have been so issued and applied, the same shall be replaced as soon as practicable from the sales of Treasury notes for United States notes.

SEC. 3. *And be it further enacted*, That the Secretary of the Treasury be and he is hereby authorized, if required by the exigencies of the public service, for the payment of the army and navy, and other creditors of the government, to issue, on the credit of the United States, the sum of one hundred and fifty millions of dollars of United States notes, including the amount of such notes heretofore authorized by the joint resolution approved January seventeen, eighteen hundred and sixty-three, in such form as he may deem expedient, not bearing interest, payable to bearer, and of such denominations, not less than one dollar, as he may prescribe, which notes so issued shall be lawful money and a legal tender in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt; and any of the said notes, when returned to the Treasury, may be re-issued from time to time as the exigencies of the public service may require. And in lieu of any of said notes, or any other United States notes, returned to the Treasury, and cancelled or destroyed, there may be issued equal amounts of the United States notes, such as are authorized by this act. And so



much of the act to authorize the issue of the United States notes, and for other purposes, approved February twenty-five, eighteen hundred and sixty-two, and of the act to authorize an additional issue of United States notes, and for other purposes, approved July eleven, eighteen hundred and sixty-two, as restricts the negotiation of bonds to market value, is hereby repealed. And the holders of United States notes, issued under and by virtue of said acts, shall present the same for the purpose of exchanging the same for bonds, as therein provided, on or before the first day of July, eighteen hundred and sixty-three, and thereafter the right so to exchange the same shall cease and determine.

SEC. 4. *And be it further enacted*, That in lieu of postage and revenue stamps for fractional currency, and of fractional notes, commonly called postage currency, issued or to be issued, the Secretary of the Treasury may issue fractional notes of like amounts in such form as he may deem expedient, and may provide for the engraving, preparation and issue thereof, in the Treasury Department building. And all such notes issued shall be exchangeable by the Assistant Treasurers and designated depositaries for United States notes in sums not less than three dollars, and shall be receivable for postage and revenue stamps, and also in payment of any dues to the United States less than five dollars, except duties on imports, and shall be redeemed on presentation at the Treasury of the United States in such sums and under such regulations as the Secretary of the Treasury shall prescribe: *Provided*, That the whole amount of fractional currency issued, including postage and revenue stamps issued as currency, shall not exceed fifty millions of dollars.

SEC. 5. *And be it further enacted*, That the Secretary of the Treasury is hereby authorized to receive deposits of gold coin and bullion with the Treasurer or any Assistant Treasurer of the United States, in sums not less than twenty dollars, and to issue certificates therefor in denominations of not less than twenty dollars each, corresponding with the denominations of the United States notes. The coin and bullion deposited for or representing the certificates of deposit shall be retained in the Treasury for the payment of the same on demand. And certificates representing coin in the Treasury may be issued in payment of interest on the public debt, which certificates, together with those issued for coin and bullion deposited, shall not at any time exceed twenty per centum beyond the amount of coin and bullion in the Treasury; and the certificates for coin or bullion in the Treasury shall be received at par in payment for duties on imports.

SEC. 6. *And be it further enacted*, That the coupon or registered bonds, Treasury notes and United States notes, authorized by this act, shall be in such form as the Secretary of the Treasury

may direct, and shall have printed upon them such statements, showing the amount of accrued or accruing interest, the character of the notes, and the penalties or punishment for altering or counterfeiting them, as the Secretary of the Treasury may prescribe, and shall bear the written or engraved signatures of the Treasurer of the United States and the Register of the Treasury, and also, as evidence of lawful issue, the imprint of the copy of the seal of the Treasury Department, which imprint shall be made, under the direction of the Secretary, after the said notes or bonds shall be received from the engravers, and before they are issued; or the said notes and bonds shall be signed by the Treasurer of the United States, or for the Treasurer by such persons as may be specially appointed by the Secretary of the Treasury for that purpose, and shall be countersigned by the Register of the Treasury, or for the Register by such persons as the Secretary of the Treasury may specially appoint for that purpose. And all the provisions of the act, entitled "An act to authorize the issue of Treasury notes," approved the twenty-third day of December, eighteen hundred and fifty-seven, so far as they can be applied to this act, and not inconsistent therewith, are hereby revived and re-enacted.

SEC. 7. *And be it further enacted*, That all banks, associations, corporations or individuals, issuing notes or bills for circulation as currency, shall be subject to and pay a duty of one per centum each half year from and after April first, eighteen hundred and sixty-three, upon the average amount of circulation of notes or bills as currency issued beyond the amount hereinafter named; that is to say, banks, associations, corporations or individuals having a capital of not over one hundred thousand dollars, ninety per centum thereof; over one hundred thousand and not over two hundred thousand dollars, eighty per centum thereof; over two hundred thousand and not over three hundred thousand dollars, seventy per centum thereof; over three hundred thousand and not over five hundred thousand dollars, sixty per centum thereof; over five hundred thousand and not over one million of dollars, fifty per centum thereof; over one million and not over one million and a half of dollars, forty per centum thereof; over one million and a half and not over two millions of dollars, thirty per centum thereof; over two millions of dollars, twenty-five per centum thereof. In the case of banks with branches, the duty herein provided for shall be imposed upon the circulation of the notes or bills of such branches severally, and not upon the aggregate circulation of all; and the amount of capital of each branch shall be considered to be the amount allotted to or used by such branch; and all such banks, associations, corporations and individuals shall also be subject to and pay a duty of one-half of one per centum each half year from and after April first, eighteen



hundred and sixty-three, upon the average amount of notes or bills not otherwise herein taxed and outstanding as currency during the six months next preceding the return hereinafter provided for; and the rates of tax or duty imposed on the circulation of associations which may be organized under the act "to provide a national currency, secured by a pledge of United States stocks, and to provide for the circulation and redemption thereof," approved February twenty-fifth, eighteen hundred and sixty-three, shall be the same as that hereby imposed on the circulation and deposits of all banks, associations, corporations or individuals, but shall be assessed and collected as required by said act; all banks, associations or corporations and individuals issuing or re-issuing notes or bills for circulation as currency after April first, eighteen hundred and sixty-three, in sums representing any fractional part of a dollar, shall be subject to and pay a duty of five per centum each half year thereafter upon the amount of such fractional notes or bills so issued. And all banks, associations, corporations and individuals receiving deposits or money subject to payment on check or draft, except savings institutions, shall be subject to a duty of one-eighth of one per centum each half year from and after April first, eighteen hundred and sixty-three, upon the average amount of such deposits beyond the average amount of their circulating notes or bills lawfully issued and outstanding as currency. And a list or return shall be made and rendered within thirty days after the first day of October, eighteen hundred and sixty-three, and each six months thereafter, to the Commissioner of Internal Revenue, which shall contain a true and faithful account of the amount of duties accrued, or which should accrue, on the full amount of the fractional note circulation, and on the average amount of all other circulation and of all such deposits for the six months next preceding. And there shall be annexed to every such list or return a declaration, under oath or affirmation, to be made in form and manner as shall be prescribed by the Commissioner of Internal Revenue, of the president, or some other proper officer of said bank, association, corporation or individual, respectively, that the same contains a true and faithful account of the duties which have accrued, or which should accrue, and not accounted for; and for any default in the delivery of such list or return, with such declaration annexed, the bank, association, corporation or individual making such default shall forfeit, as a penalty, the sum of five hundred dollars; and such bank, association, corporation or individual shall, upon rendering the list or return as aforesaid, pay to the Commissioner of Internal Revenue the amount of the duties due on such list or return, and in default thereof shall forfeit, as a penalty, the sum of five hundred dollars; and in case of neglect or refusal to make such list or return as aforesaid, or to pay the duties as aforesaid, for the space of thirty days after the time when said list should have been made



or rendered, or when said duties shall have become due and payable, the assessment and collection shall be made according to the general provisions prescribed in an act, entitled "An act to provide internal revenue to support the government and to pay interest on the public debt," approved July one, eighteen hundred and sixty-two.

SEC. 8. *And be it further enacted*, That, in order to prevent and punish counterfeiting and fraudulent alterations of the bonds, notes and fractional currency, authorized to be issued by this act, all the provisions of the sixth and seventh sections of the act, entitled "An act to authorize the issue of United States notes, and for the redemption or funding thereof, and for funding the floating debt of the United States," approved February, twenty-fifth, eighteen hundred and sixty-two, shall, so far as applicable, apply to the bonds, notes and fractional currency hereby authorized to be issued, in like manner as if the said sixth and seventh sections, were hereby adopted as additional sections of this act. And the provisions and penalties of said sixth and seventh sections shall extend and apply to all persons who shall imitate, counterfeit, make, or sell any paper such as that used, or provided to be used, for the fractional notes prepared, or to be prepared, in the Treasury Department building, and to all officials of the Treasury Department, engaged in engraving and preparing the bonds, notes and fractional currency, hereby authorized to be issued, and to all official and unofficial persons in any manner employed under the provisions of this act. And the sum of six hundred thousand dollars is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to enable the Secretary of the Treasury to carry this act into effect.

Approved March 3, 1863.

## No. III.

*Section seventh of the "Act to provide ways and means for the support of the government," approved March 3, 1863.*

SEC. 7. *And be it further enacted,* That all banks, associations, corporations, or individuals, issuing notes or bills for circulation as currency, shall be subject to and pay a duty of one per centum each half year from and after April first, eighteen hundred and sixty-three, upon the average amount of circulation of notes or bills as currency issued beyond the amount hereinafter named—that is to say, banks, associations, corporations, or individuals having a capital of not over one hundred thousand dollars, ninety per centum thereof; over one hundred thousand and not over two hundred thousand dollars, eighty per centum thereof; over two hundred thousand and not over three hundred thousand dollars, seventy per centum thereof; over three hundred thousand and not over five hundred thousand dollars, sixty per centum thereof; over five hundred thousand and not over one million of dollars, fifty per centum thereof; over one million and not over one million and a half of dollars, forty per centum thereof; over one million and a half and not over two millions of dollars, thirty per centum thereof; over two millions of dollars, twenty-five per centum thereof. In the case of banks with branches, the duty herein provided for shall be imposed upon the circulation of the notes or bills of such branches severally, and not upon the aggregate circulation of all; and the amount of capital of each branch shall be considered to be the amount allotted to or used by such branch; and all such banks, associations, corporations, and individuals shall also be subject to and pay a duty of one-half of one per centum each half year from and after April first, eighteen hundred and sixty-three, upon the average amount of notes or bills not otherwise herein taxed and outstanding as currency during the six months next preceding the return hereinafter provided for; and the rates of tax or duty imposed on the circulation of associations which may be organized under the act "To provide a national currency secured by a pledge of United States stocks, and to provide for the circulation and redemption thereof," approved February twenty-fifth, eighteen hundred and sixty-three, shall be the same as that hereby imposed on the circulation and deposits of all banks, associations, corporations, or individuals, but shall be assessed and collected as required by said act. And all banks, associations, or corporations, and individuals, issuing or reissuing notes or bills for circulation as currency after April first, eighteen hundred and sixty-three, in sums representing any frac-

Banks under the national currency act taxed one half of one per centum semi-annually, instead of one per cent. as by the original act.

tional part of a dollar, shall be subject to and pay a duty of five per centum each half year thereafter upon the amount of such fractional notes or bills so issued; and all banks, associations, corporations, and individuals receiving deposits of money subject to payment on checks or drafts, except savings institutions, shall be subject to a duty of one-eighth of one per centum each half year from and after April first, eighteen hundred and sixty-three, upon the average amount of such deposits beyond the average amount of their circulating notes or bills lawfully issued and outstanding as currency. And a list or return shall be made and rendered within thirty days after the first day of October, eighteen hundred and sixty-three, and each six months thereafter, to the Commissioner of Internal Revenue, which shall contain a true and faithful account of the amount of duties accrued, or which should accrue on the full amount of the fractional note circulation and on the average amount of all other circulation, and of all such deposits, for the six months next preceding. And there shall be annexed to every such list or return a declaration, under oath or affirmation, to be made in form and manner as shall be prescribed by the Commissioner of Internal Revenue, of the president, or some other proper officer of said bank, association, corporation, or individual, respectively, that the same contains a true and faithful account of the duties which have accrued, or which should accrue, and not accounted for; and for any default in the delivery of such list or return with such declaration annexed, the bank, association, corporation, or individual making such default, shall forfeit, as a penalty, the sum of five hundred dollars. And such bank, association, corporation, or individual shall, upon rendering the list or return as aforesaid, pay to the Commissioner of Internal Revenue the amount of the duties due on such list or return, and in default thereof shall forfeit, as a penalty, the sum of five hundred dollars; and in case of neglect or refusal to make such list or return as aforesaid, or to pay the duties as aforesaid, for the space of thirty days after the time when said list should have been made or rendered, or when said duties shall have become due and payable, the assessment and collection shall be made according to the general provisions prescribed in an act entitled "An act to provide internal revenue to support the government and to pay interest on the public debt," approved July one, eighteen hundred and sixty-two.



## INDEX

TO

## AN ACT TO PROVIDE A NATIONAL CURRENCY, ETC.

|   | Section. | Page. |
|---|----------|-------|
| <b>A</b>  |          |       |
| Acknowledgment of certificate of application . . . . .                  | 6        | 3     |
| Act, section seven of, modifying section nineteen of this act . . . . . | —        | 33    |
| Acts prejudicial to creditors in contemplation of insolvency . . . . .  | 49       | 21    |
| Agent of associations . . . . .   | 11       | 5     |
| of associations may make examination of bonds . . . . .                 | 23       | 9     |
| special, Comptroller of Currency may appoint . . . . .                  | 26       | 11    |
| special duties of . . . . .   | 26       | 11    |
| Amendments to law, Comptroller to suggest . . . . .                     | 60       | 25    |
| Congress reserves the right to make . . . . .                           | 65       | 27    |
| Appointment of clerks in Bureau of Currency . . . . .                   | 1        | 1     |
| Comptroller of Currency . . . . .                                       | 1        | 1     |
| Deputy Comptroller . . . . .  | 1        | 1     |
| director of association, when to be made . . . . .                      | 40       | 17    |
| receiver . . . . .  | 29       | 12    |
| visitor . . . . .   | 51       | 22    |
| Apportionment of notes to be circulated . . . . .                       | 17       | 6     |
| Articles of associations, changes in, restricted . . . . .              | 12       | 5     |
| Assets of failing associations, disbursement of . . . . .               | 29       | 12    |
| Assignments made by Comptroller, evidence, when . . . . .               | 2        | 2     |
| Assignment of rooms in treasury for use of bureau . . . . .             | 3        | 2     |
| Associations, acts of, prejudicial to creditors, void . . . . .         | 49       | 21    |
| amount of capital stock of, to be certified . . . . .                   | 6        | 3     |
| annual report of, by Comptroller . . . . .                              | 60       | 24    |
| articles of, changes in, restricted . . . . .                           | 12       | 5     |
| assets of, United States to have a prior lien on . . . . .              | 26       | 12    |
| authorized to circulate their notes . . . . .                           | 20       | 8     |
| authorized to commence banking . . . . .                                | 10       | 4     |
| banking, how to organize . . . . .                                      | 5        | 2     |
| banking, powers conferred upon . . . . .                                | 11       | 5     |
| banking usages granted to . . . . .                                     | 46       | 21    |
| bonds deposited by, forfeited, when . . . . .                           | 26       | 11    |
| bonds of, may be sold at auction, when . . . . .                        | 27       | 12    |
| bonds of, may be sold at private sale, when . . . . .                   | 28       | 12    |
| bonds of, transferred to Treasurer, in trust . . . . .                  | 30       | 13    |
| capital stock of, how and when paid in . . . . .                        | 7        | 3     |
| capital stock of, how increased . . . . .                               | 13       | 5     |
| capital stock of, into what shares divided . . . . .                    | 36       | 16    |
| certificate to be forwarded to Comptroller by . . . . .                 | 6        | 2     |
| condition of, upon organization to be examined . . . . .                | 9        | 4     |
| corporate powers conferred upon . . . . .                               | 11       | 5     |
| declaration of intention to form . . . . .                              | 6        | 3     |
| directors of, election of . . . . .                                     | 40       | 17    |
| directors of, liability of, to association, restricted . . . . .        | 35       | 16    |
| directors of, number of . . . . .                                       | 39       | 17    |
| directors of, oath of, and oath to be sent to Comptroller . . . . .     | 39       | 17    |
| directors of, per centum of stock to be held by . . . . .               | 39       | 17    |

|  | Section. | Page.  |
|--|----------|--------|
| Associations, directors of, qualification of . . . . .       | 39       | 17     |
| dividends, how and when to be declared by . . . . .          | 45       | 20     |
| duties of, upon suspension . . . . .                         | 25       | 10     |
| existence of, limited to twenty years . . . . .              | 11       | 5      |
| failing, duties of Comptroller towards . . . . .             | 26       | 11     |
| failing to redeem their notes, proceeding against . . . . .  | 25       | 10     |
| forbidden to increase their liabilities, when . . . . .      | 41       | 18     |
| forbidden to issue any other notes . . . . .                 | 20       | 8      |
| forbidden to make dividends . . . . .                        | 41       | 18     |
| forbidden to pay dividends, except upon profits . . . . .    | 44       | 19     |
| forbidden to pay out uncurrent money . . . . .               | 48       | 21     |
| forbidden to pledge their own notes . . . . .                | 43       | 19     |
| forbidden to purchase any capital stock . . . . .            | 37       | 16     |
| forbidden to purchase real estate, except . . . . .          | 14       | 6      |
| forbidden to receive capital stock as security . . . . .     | 37       | 16     |
| forbidden to withdraw capital stock . . . . .                | 44       | 19     |
| indebtedness of, restricted . . . . .                        | 42       | 18     |
| individual and firm liabilities to, restrained . . . . .     | 47       | 21     |
| interest on loans prescribed to . . . . .                    | 46       | 20     |
| interest on United States bonds to be paid to . . . . .      | 30       | 13     |
| interest on United States bonds to be invested for . . . . . | 31       | 14     |
| laws of, to be approved by Comptroller . . . . .             | 11       | 5      |
| liabilities of stockholders to, restrained . . . . .         | 35       | 16     |
| limitation of, as to holding real estate . . . . .           | 14       | 6      |
| lists of stockholders prescribed . . . . .                   | 6, 53    | 3, 23  |
| may become depositors of public funds . . . . .              | 54       | 23     |
| may be wound up for deficiency of redemption fund . . . . .  | 41       | 18     |
| may enjoin proceedings against themselves . . . . .          | 29       | 13     |
| may increase their capital . . . . .                         | 13       | 5      |
| may obtain their bonds from treasurer . . . . .              | 30       | 13     |
| may sell delinquent stock . . . . .                          | 8        | 3      |
| monthly reports to be made by certain . . . . .              | 24       | 10     |
| must forward certificate to Comptroller . . . . .            | 6        | 2      |
| name of, must be certified . . . . .                         | 6        | 2      |
| names and residences of stockholders of . . . . .            | 6, 53    | 3, 23  |
| notes of, for what to be received . . . . .                  | 20       | 8      |
| notes of, paid at United States treasury, when . . . . .     | 26       | 11     |
| notes of, penalties for counterfeiting, &c. . . . .          | 57       | 23     |
| notes of, penalties for mutilating, &c. . . . .              | 56       | 23     |
| notes of, signature of . . . . .                             | 18       | 7      |
| officers of, appointment of . . . . .                        | 11       | 5      |
| officers of, embezzlement by . . . . .                       | 52       | 22     |
| officers of, false entries by . . . . .                      | 52       | 22     |
| officers of, malfeasance of . . . . .                        | 50       | 22     |
| officers of, misdemeanors of . . . . .                       | 33, 52   | 15, 22 |
| place of business of, must be certified . . . . .            | 6        | 2      |
| place of business of, location of . . . . .                  | 6, 11    | 2, 5   |
| president of, must be a director . . . . .                   | 39       | 17     |
| rate of interest prescribed to . . . . .                     | 46       | 20     |
| receiver of, appointment and duties of . . . . .             | 29       | 12     |
| reports of, Comptroller to prescribe . . . . .               | 24       | 9      |
| reports of, publication of . . . . .                         | 24       | 9      |
| reports of, to be made quarterly . . . . .                   | 24       | 9      |
| reports of, to be made under oath . . . . .                  | 24       | 9      |
| reports to be made monthly by certain . . . . .              | 24       | 9      |
| residence of shareholders to be certified by . . . . .       | 6        | 3      |

| Page. | Section. |   | Section. | Page. |
|-------|----------|---|----------|-------|
|       |          | Associations, rights of persons becoming shareholders of        | 12       | 51    |
|       |          | security for loans to be given by shareholders of               | 37       | 16    |
|       |          | shares of, personal property                                    | 12       | 51    |
|       |          | shares of, transfer of  | 12       | 5     |
|       |          | statement to accompany declaration of dividend                  | 45       | 19    |
|       |          | suits and actions by and against                                | 59       | 25    |
|       |          | tax on circulation of, one-half of one per cent. semi-annually  | 6        | 33    |
|       |          | time of commencement of, to be certified                        | 6        | 3     |
|       |          | to deposit additional bonds, when                               | 30       | 13    |
|       |          | to examine bonds annually and give certificate                  | 23       | 9     |
|       |          | to forfeit corporate rights, when                               | 50       | 22    |
|       |          | to forward certificate and articles of association              | 6        | 2     |
|       |          | to make and publish quarterly reports                           | 24       | 9     |
|       |          | to pay compensation of visitor                                  | 51       | 22    |
|       |          | to pay for protests and other expenses                          | 34       | 15    |
|       |          | to pay one-half of one per cent. semi-annually upon circulation | 19       | 7, 33 |
|       |          | to procure certificate from Comptroller, and publish the same   | 10       | 4     |
|       |          | to receive interest on bonds                                    | 30       | 14    |
|       |          | to receive new notes for old                                    | 32       | 15    |
|       |          | to receive notes for circulation from Comptroller               | 16       | 6     |
|       |          | to receive proceeds of interest invested in bonds               | 31       | 14    |
|       |          | to reserve a redemption fund                                    | 41       | 18    |
|       |          | transfer of bonds of, to Treasurer of the United States         | 15       | 6     |
|       |          | transfer of bonds of, by Treasurer of the United States         | 21       | 8     |
|       |          | usury by  | 46       | 20    |
|       |          | vested with corporate powers                                    | 11       | 5     |
|       |          | Attorneys, district, duties of                                  | 55       | 23    |
|       |          | Auction, public; when stock may be sold at                      | 8, 27    | 3, 12 |
|       |          | Authority, grant of, to commence banking                        | 10       | 4     |
|       |          | <b>B.</b>   |          |       |
|       |          | Bad debts defined   | 44       | 19    |
|       |          | Banking associations, how formed                                | 5        | 2     |
|       |          | powers conferred on associations                                | 11       | 5     |
|       |          | usages secured to associations                                  | 46       | 20    |
|       |          | Banks, State and other; may organize under this act             | 61       | 25    |
|       |          | may obtain notes under this act                                 | 62       | 25    |
|       |          | proceedings against, upon failure to redeem notes               |          |       |
|       |          | obtained under this act   | 63       | 26    |
|       |          | to return the amount of their notes in circulation              | 19       | 8     |
|       |          | penalty for failing to make return                              | 19       | 8     |
|       |          | Bond of Comptroller of Currency                                 | 1        | 1     |
|       |          | of Deputy Comptroller   | 1        | 1     |
|       |          | Bonds of United States defined                                  | 4        | 2     |
|       |          | deposited by associations to be annually examined               | 23       | 9     |
|       |          | depreciation of   | 30       | 14    |
|       |          | how and when returned   | 30       | 14    |
|       |          | interest accruing on, to be invested, when                      | 31       | 14    |
|       |          | interest on, paid, when   | 30       | 13    |
|       |          | may be declared forfeited                                       | 26       | 11    |
|       |          | may be sold at auction  | 8, 27    | 3, 12 |
|       |          | may be sold at private sale                                     | 28       | 12    |
|       |          | deposited by State and other banks forfeited, when              | 64       | 26    |
|       |          | deposited, how transferred by associations to Treasurer         | 21       | 8     |
|       |          | from associations by Treasurer                                  | 21       | 8     |



|   | Section. | Page. |
|---|----------|-------|
| Bureau of Currency established . . . . .                                | 1        | 1     |
| business of . . . . .   | 1        | 1     |
| Business place of association . . . . .                                 | 6, 11    | 2, 5  |
| <b>C.</b>   |          |       |
| Capital stock, associations forbidden to withdraw their . . . . .       | 44       | 19    |
| of associations, how increased . . . . .                                | 13       | 5     |
| how and when paid . . . . .   | 7        | 3     |
| not to be pledged as security . . . . .                                 | 37       | 16    |
| shares of, prescribed . . . . .   | 36       | 16    |
| Cashier of association, appointment of . . . . .                        | 11       | 5     |
| to keep list of names of stockholders . . . . .                         | 53       | 23    |
| to sign notes . . . . .   | 18       | 7     |
| Certificate, Comptroller to give . . . . .                              | 10       | 4     |
| of examination of bonds . . . . .                                       | 23       | 9     |
| of authority to associations to be published . . . . .                  | 10       | 4     |
| Certificate of increase of capital paid in, required . . . . .          | 13       | 5     |
| preliminary by associators, requisites of . . . . .                     | 6        | 2     |
| preliminary by State and other banks . . . . .                          | 61       | 25    |
| Certificates, certified copies of, by Comptroller, evidence . . . . .   | 6        | 3     |
| clearing house . . . . .  | 41       | 18    |
| executed by Comptroller evidence, when . . . . .                        | 2        | 2     |
| Circulation of notes by associations authorized . . . . .               | 20       | 8     |
| Clearing-house certificates . . . . .                                   | 41       | 18    |
| Clerks in Currency Bureau, appointment and classification of . . . . .  | 1        | 1     |
| to be annually returned . . . . .                                       | 60       | 24    |
| Commission, special, may be appointed, when . . . . .                   | 10       | 4     |
| Comptroller of Currency, annual report of . . . . .                     | 60       | 24    |
| appointment of . . . . .  | 1        | 1     |
| assignments made by, evidence . . . . .                                 | 2        | 2     |
| banks to report their issues to . . . . .                               | 19       | 8     |
| bond of . . . . .   | 1        | 1     |
| certificates made by, evidence . . . . .                                | 2        | 2     |
| certificates of capital paid in, to give . . . . .                      | 13       | 5     |
| conveyances executed by, evidence . . . . .                             | 2        | 2     |
| copies of papers certified by, evidence . . . . .                       | 2        | 2     |
| duties of, towards failing associations . . . . .                       | 26       | 11    |
| duties of, upon report of receiver . . . . .                            | 29       | 12    |
| forbidden to be interested in associations . . . . .                    | 1        | 2     |
| laws of associations to be approved by . . . . .                        | 11       | 5     |
| list of stockholders, etc. to be transmitted to . . . . .               | 6, 53    | 3, 23 |
| may appoint receiver, when . . . . .                                    | 29       | 12    |
| may authorize associations to receive interest on their bonds . . . . . | 30       | 13    |
| may declare bonds forfeited . . . . .                                   | 26       | 11    |
| may deliver to State and other banks notes to issue . . . . .           | 62       | 25    |
| may direct return of bonds to associations . . . . .                    | 30       | 14    |
| may examine affairs of associates by commission . . . . .               | 10       | 4     |
| may sell bonds at auction . . . . .                                     | 27       | 12    |
| may sell bonds at private sale . . . . .                                | 28       | 12    |
| monthly reports to be made to . . . . .                                 | 24       | 10    |
| oath of . . . . .   | 1        | 1     |
| oath of directors to be sent to . . . . .                               | 39       | 17    |
| office of, created . . . . .  | 1        | 1     |
| office of, term of . . . . .  | 1        | 1     |
| offices in treasury to be assigned to . . . . .                         | 3        | 2     |

|   | Section. | Page. |
|---|----------|-------|
| Comptroller proceedings by, against failing associations . . . . .  | 26       | 11    |
| proceedings by, against failing State banks . . . . .   | 63       | 26    |
| quarterly reports to be made to . . . . .   | 24       | 9     |
| receiver to be appointed by, when . . . . .   | 29       | 12    |
| receiver to report to . . . . .   | 29       | 12    |
| removal of, from office . . . . .   | 1        | 1     |
| salary of . . . . .   | 1        | 1     |
| seal of bureau to be devised by . . . . .   | 2        | 2     |
| statement to accompany declaration of dividends to be trans-<br>mitted to . . . . .   | 45       | 19    |
| to advise associations of transfers . . . . .   | 21       | 9     |
| to advise associations of sales of bonds at auction . . . . .   | 27       | 12    |
| to appoint receiver, when . . . . .   | 29       | 12    |
| to appoint visitor . . . . .  | 51       | 22    |
| to be paid one half of one per cent., semi-annually, by associa-<br>tions . . . . .   | 19       | 7, 27 |
| of Currency to cause plates for notes to be engraved . . . . .  | 18       | 7     |
| to control plates for notes . . . . .   | 19       | 7     |
| to demand the deposit of additional bonds, when . . . . .   | 30       | 14    |
| to deposit plates, &c. in fire-proof vaults . . . . .   | 3        | 2     |
| to devise a seal . . . . .  | 2        | 2     |
| to direct publication of certificate, when . . . . .  | 10       | 4     |
| to examine affairs of associations, when . . . . .  | 9        | 4     |
| to furnish furniture, stationery, &c. . . . .   | 3        | 2     |
| to furnish notes for associations to issue . . . . .  | 18       | 7     |
| to give associations a certificate . . . . .  | 10       | 4     |
| to give certificate of increase of capital . . . . .  | 13       | 5     |
| to give notice of payment of notes at treasury . . . . .  | 26       | 11    |
| to have access to books of Treasurer . . . . .  | 22       | 9     |
| to invest the interest accruing on bonds, when . . . . .  | 31       | 14    |
| to keep record of bonds transferred . . . . .   | 21       | 9     |
| to notify associations of deficiency of redemption fund . . . . .   | 41       | 18    |
| to prescribe the form of quarterly reports . . . . .  | 24       | 9     |
| to receive and exchange worn-out notes . . . . .  | 32       | 15    |
| to record transfers of bonds from associations . . . . .  | 22       | 9     |
| to record and preserve certificate of association . . . . .   | 6        | 3     |
| to supply notes to associations upon transfer of bonds . . . . .  | 16       | 6     |
| to transfer proceeds of interest invested, when . . . . .   | 31       | 14    |
| verified lists of names, &c., of shareholders to be sent to<br>of Currency, Deputy. ( <i>See</i> Deputy Comptroller.) . . . . . | 53       | 23    |
| Condition of associations to be examined by Comptroller . . . . .   | 9        | 4     |
| Congress, rights of, to amend this act, reserved . . . . .  | 65       | 26    |
| Conveyances made by Comptroller, evidence . . . . .   | 2        | 2     |
| Copies of papers certified to by Comptroller, evidence . . . . .  | 2        | 2     |
| annual report of Comptroller, number of . . . . .   | 60       | 24    |
| Corporate powers conferred upon associations . . . . .  | 11       | 5     |
| Counterfeiting, &c., notes of associations, punishment for . . . . .  | 57       | 23    |
| Courts, jurisdiction of . . . . .   | 59       | 24    |
| Creditors, acts by associations prejudicial to, void . . . . .  | 49       | 21    |
| of failing associations to be notified . . . . .  | 29       | 13    |
| Currency Bureau established . . . . .   | 1        | 1     |
| business of . . . . .   | 1        | 1     |
| clerks in, how appointed and classified . . . . .   | 1        | 1     |
| clerks in, return of, to be annually made . . . . .   | 60       | 24    |

|  |   |  | Section. | Page.  |
|--|---|--|----------|--------|
| Debt, bad, defined   |   |  | 44       | 19     |
| Delinquent shareholders, proceedings against                     |   |  | 8        | 3      |
| Denominations of notes to be circulated                          |   |  | 18       | 7      |
| Deputy Comptroller of Currency, appointment of                   |   |  | 1        | 1      |
| 1  | 1 | bond of  | 1        | 1      |
| 2  | 2 | duties of  | 1        | 1      |
|  |   | forbidden to be interested in associations           |          |        |
|  |   | under this act                                       | 1        | 2      |
|  |   | oath of  | 1        | 1      |
|  |   | salary of  | 1        | 1      |
| Devices on notes, Secretary of Treasury to regulate              |   |  | 18       | 7      |
| Directors of association, appointment of                         |   |  | 40       | 17     |
|  |   | consent of, for transfer of stock, when required     | 36       | 16     |
|  |   | election of  | 40       | 17     |
|  |   | knowingly permitting the violation of any laws       | 50       | 22     |
|  |   | liability of, to association restricted              | 35       | 16     |
|  |   | malfeasance of                                       | 50       | 22     |
|  |   | number and oath of                                   | 39       | 17     |
|  |   | president must be one                                | 39       | 17     |
|  |   | qualification of                                     | 39       | 17     |
|  |   | removing from State                                  | 40       | 17     |
|  |   | to be examined under oath, when                      | 9        | 4      |
|  |   | to control delinquent stock, when                    | 8        | 3      |
| Distribution of notes to be circulated                           |   |  | 17       | 6      |
| District attorneys, duties of, under this law                    |   |  | 55       | 23     |
| Dividends forbidden, when  |   |  | 41, 44   | 18, 19 |
|  |   | restricted to net profits                            | 44       | 19     |
|  |   | semi-annual, how to be made                          | 45       | 19     |
|  |   | semi-annual, statement to accompany declaration of   | 45       | 19     |
|  |   | <b>E.</b>  |          |        |
| Election of directors  |   |  | 40       | 17     |
|  |   | rights of shareholders at                            | 38       | 16     |
| Embezzlement, false entries, &c., by officers                    |   |  | 52       | 22     |
| Engraving of counterfeit plates, punishment for                  |   |  | 58       | 24     |
| Evidence, certain instruments of writing executed by Comptroller |   |  | 2        | 2      |
|  |   | certified copies of certificates made by Comptroller | 6        | 3      |
| Examination of affairs of association by visitor                 |   |  | 51       | 22     |
|  |   | affairs of associations by special commission        | 10       | 4      |
|  |   | officers under oath                                  | 9        | 4      |
|  |   | bonds deposited by associations to be annually made  | 23       | 9      |
|  |   | preliminary, and other expenses, how paid            | 34       | 15     |
| Expenses of executing this act, how paid                         |   |  | 19       | 7      |
|  |   | visitorial examination, what, and how paid           | 51       | 22     |
|  |   | <b>F.</b>  |          |        |
| False entries by officers, and punishment for                    |   |  | 52       | 22     |
| Fees for examinations, protests, and receivers, how paid         |   |  | 34       | 15     |
| Firms, liabilities of, to associations restrained                |   |  | 47       | 21     |
| Forfeiture of corporate rights of association for malfeasance    |   |  | 50       | 22     |
| Forgery, &c., of notes   |   |  | 57       | 23     |
| Frauds, &c., by officers   |   |  | 52       | 22     |



|   | Section. | Page. |
|---|----------|-------|
| Fuel, furniture, &c. of Bureau, Comptroller to furnish  | 3        | 24    |
| Fund for redemption of issue, to be reserved  | 41       | 18    |
| <b>H.</b>   |          |       |
| Hypothecation of notes by association forbidden   | 43       | 19    |
| <b>I.</b>   |          |       |
| Impression of seal of Bureau to be filed in office of Secretary of State when valid                     | 2        | 2     |
| Increase of liabilities by associations forbidden, when   | 41       | 18    |
| Indebtedness by associations limited  | 42       | 18    |
| Individual liabilities to associations restricted   | 47       | 21    |
| Injunction against Comptroller may be had, when   | 29       | 13    |
| Insolvency, acts prejudicial to creditors in contemplation of   | 49       | 21    |
| Instalments on capital stock, how paid  | 7        | 3     |
| Interest on bonds deposited, associations to receive  | 30       | 13    |
| to be invested by Comptroller, when   | 31       | 14    |
| to be retained by Comptroller, when   | 30, 31   | 14    |
| on loans may be retained in advance   | 46       | 20    |
| rate of, established  | 46       | 20    |
| usurious, penalty for   | 46       | 20    |
| Interested in associations under this act, Comptroller and Deputy Comptroller forbidden to be           | 1        | 2     |
| <b>J.</b>   |          |       |
| Jurisdiction of courts  | 59       | 24    |
| <b>L.</b>   |          |       |
| Liabilities, associations forbidden to increase their, when   | 41       | 18    |
| of directors to their own association restricted  | 35       | 16    |
| of individuals and firms to associations restricted   | 47       | 21    |
| of shareholders to creditors declared   | 12       | 5     |
| of shareholders to their own association restricted   | 35       | 16    |
| Lien of United States upon assets of association  | 26       | 12    |
| Lights, &c., for use of Bureau, Comptroller to furnish  | 3        | 2     |
| Limitation of amount of notes to be circulated  | 17       | 6     |
| associations in the holding of real estate  | 14       | 6     |
| existence of associations   | 11       | 5     |
| indebtedness of associations  | 42       | 18    |
| number of directors   | 39       | 17    |
| Lists of names and residences, &c., of stockholders, to be transmitted to Comptroller, with application | 6        | 3     |
| Lists of names, residences, &c., verified, to be annually sent to Comptroller                           | 53       | 23    |
| to be retained in office  | 53       | 23    |
| Loans, security to be given for, prescribed   | 37       | 16    |
| <b>M.</b>   |          |       |
| Malfeasance by directors, or permitted by them  | 50       | 22    |

|  | Section. | Page. |
|--|----------|-------|
| Misdemeanour of officers, and punishment for . . . . .                             | 33       | 15    |
| Modification of tax on circulation prescribed in note section 19, page 7 . . . . . | —        | 7     |
| Money, uncurrent, or under par, associations forbidden to pay . . . . .            | 48       | 21    |
| Mutilation of notes of associations, penalty for . . . . .                         | 56       | 23    |

## N.

|   |    |    |
|---|----|----|
| Name of association to be set forth in certificate . . . . .  | 6  | 2  |
| Names of stockholders, residences, and amount of stock held, to be kept by officers, and verified list transmitted to Comptroller of Currency . . . . . | 53 | 23 |
| Notary public, duties of, upon protest of notes . . . . .   | 25 | 10 |
| fees of, for protest, how paid . . . . .  | 34 | 15 |
| when not to protest notes . . . . .   | 25 | 10 |
| Note to section 19, page 7, modifying the tax on circulation . . . . .  | —  | 7  |
| Notes of associations, all other kinds, associations forbidden to issue . . . . .   | 20 | 8  |
| amount of, to be supplied to each association . . . . .   | 16 | 6  |
| annual report of issue of, to be made . . . . .   | 60 | 24 |
| apportionment of the whole amount of . . . . .  | 17 | 6  |
| Comptroller to supply for circulation . . . . .   | 15 | 6  |
| denominations of, prescribed . . . . .  | 18 | 7  |
| devices upon . . . . .  | 18 | 7  |
| disfigurement and mutilation of . . . . .   | 56 | 23 |
| expenses of preparing, how paid . . . . .   | 19 | 7  |
| for what to be received . . . . .   | 20 | 8  |
| fund for the redemption of, to be retained . . . . .  | 41 | 18 |
| paid at the treasury of United States, when . . . . .   | 26 | 11 |
| paid at the treasury of United States, how disposed of . . . . .  | 26 | 12 |
| penalty for the forgery, &c., of . . . . .  | 57 | 23 |
| plates of, Comptroller to control . . . . .   | 19 | 7  |
| pledge of, by associations, forbidden . . . . .   | 43 | 19 |
| protest of . . . . .  | 25 | 10 |
| signatures of officers upon . . . . .   | 18 | 7  |
| State and other banks may receive to issue . . . . .  | 62 | 25 |
| State and other banks failing to redeem . . . . .   | 63 | 26 |
| to be supplied by Comptroller for circulation . . . . .   | 15 | 6  |
| what shall be expressed upon the face of . . . . .  | 18 | 7  |
| what officers of association must sign . . . . .  | 18 | 7  |
| whole amount of, to be issued . . . . .   | 17 | 6  |
| worn and mutilated, to be exchanged for new . . . . .   | 32 | 15 |
| worn and mutilated, when exchanged, how cancelled . . . . .   | 32 | 15 |
| Notification to Comptroller of the amount of stock paid in required . . . . .   | 9  | 4  |
| Number of copies of annual report of Comptroller . . . . .  | 60 | 24 |
| persons requisite to organize a banking association . . . . .   | 5  | 2  |

## O.

|   |    |    |
|---|----|----|
| Oath of office of Comptroller of Currency . . . . .                 | 1  | 1  |
| Comptroller of Currency, when it must be taken . . . . .            | 1  | 1  |
| Deputy Comptroller . . . . .  | 1  | 1  |
| Deputy Comptroller, when it must be taken . . . . .                 | 1  | 1  |
| directors of association . . . . .                                  | 39 | 17 |
| directors of association to be transmitted to Comptroller . . . . . | 39 | 17 |
| Officers of association, how appointed . . . . .                    | 11 | 5  |
| malfeasance of, how punished . . . . .                              | 50 | 22 |

|   | Section. | Page. |
|---|----------|-------|
| Officers of association, misdemeanors of, defined               | 33,52    | 15,22 |
| Offices in Treasury building to be assigned for Currency Bureau | 3        | 2     |
| Organization of State and other banks under this law            | 61       | 25    |

## P.

|  |        |       |
|--|--------|-------|
| Paper similar to association bank-note paper, penalties for being in possession of | 58     | 24    |
| Payment by associations of uncurrent money forbidden                               | 48     | 21    |
| Penalties against banks for failing to report notes issued                         | 19     | 7     |
| for disfigurement, mutilation, &c., of notes                                       | 56     | 23    |
| for being found with bank-note paper   | 58     | 24    |
| for counterfeiting, uttering, &c.  | 57     | 23    |
| for engraving plates or having them in possession, &c.                             | 58     | 24    |
| Perjury, false reports made under oath to be deemed                                | 24     | 9     |
| Place of business of association determined  | 6 & 11 | 2 & 5 |
| Plates, fraudulent engraving of  | 58     | 24    |
| Plates to be kept in fire vaults   | 3      | 2     |
| Pledge of their own notes by associations forbidden                                | 43     | 19    |
| President of association, how appointed  | 11     | 5     |
| association must be a director   | 39     | 17    |
| United States to appoint Comptroller of Currency                                   | 1      | 1     |
| United States to remove Comptroller of Currency                                    | 1      | 1     |
| Proceedings against failing association  | 25     | 10    |
| Protest of notes of associations   | 25     | 10    |
| fees for, how paid   | 34     | 15    |
| Proxy, shareholders may vote by  | 38     | 16    |
| Public moneys may be deposited in banks of association                             | 54     | 23    |
| Publication of authority to commence banking                                       | 10     | 4     |
| Punishment for making false reports  | 24     | 9     |

## Q.

|                                   |    |    |
|-----------------------------------|----|----|
| Qualifications of directors       | 39 | 17 |
| Quarterly reports of associations | 24 | 9  |
| Comptroller to prescribe          | 24 | 10 |
| publication of                    | 24 | 10 |

## R.

|   |    |    |
|---|----|----|
| Rate of interest on loans, &c., established                       | 46 | 20 |
| Real estate, limitation of associations to hold                   | 14 | 6  |
| Receiver of association, appointment and duties of                | 29 | 12 |
| may be appointed on neglect of association to supply deficiencies | 41 | 18 |
| may be enjoined   | 29 | 13 |
| payment of fees of  | 34 | 15 |
| Register of United States, signature of, required on notes        | 18 | 7  |
| Removal of Comptroller of Currency                                | 1  | 1  |
| Report, annual, of Comptroller to Congress                        | 60 | 24 |
| monthly, certain associations to make and publish                 | 24 | 10 |
| quarterly, associations to make and publish                       | 24 | 9  |
| quarterly, Comptroller to prescribe form of                       | 24 | 10 |



|   | Section. | Page. |
|---|----------|-------|
| Report, quarterly, Comptroller to publish abstracts of                        | 24       | 10    |
| Residences of shareholders to be returned under oath                          | 53       | 23    |
| Returns of notes issued to be made by State and other banks                   | 19       | 8     |
| <b>S.</b>   |          |       |
| Salary of Comptroller of Currency   | 1        | 1     |
| Deputy Comptroller  | 1        | 1     |
| Seal of Bureau of Currency  | 2        | 2     |
| description and impression of, to be filed in the                             |          |       |
| Department of State   | 2        | 2     |
| impression of, when valid   | 2        | 2     |
| of Treasury to appear on all notes  | 18       | 7     |
| Secretary of Treasury, apportionment of notes by                              | 17       | 6     |
| Clerks of Bureau appointed by   | 1        | 1     |
| Comptroller of Currency nominated by  | 1        | 1     |
| Comptroller of Currency, under general direction of                           | 1        | 1     |
| disposition of notes paid at Treasury regulated by                            | 26       | 11    |
| engraving of plates directed by   | 18       | 7     |
| exchange of old notes for new, regulated by                                   | 32       | 15    |
| offices for bureau to be assigned by  | 3        | 2     |
| seal of bureau to be approved by  | 2        | 2     |
| Secretary of State, certificate of approval of seal and impression of same to |          |       |
| be filed in the office of   | 2        | 2     |
| Section seven of finance act, modifying section 19 of this act                | —        | 33    |
| Security for loans, capital stock forbidden to be received as                 | 37       | 16    |
| directors and shareholders not to be favoured in giving                       | 37       | 16    |
| Semi-annual dividend, how declared  | 45       | 19    |
| Senate to confirm appointment of Comptroller                                  | 1        | 1     |
| Senate to sanction removal of Comptroller                                     | 1        | 1     |
| Shareholder, delinquent, proceedings against                                  | 8        | 3     |
| indebtedness of, to association, restricted                                   | 35       | 16    |
| liabilities of, to creditors  | 12       | 5     |
| rights of, upon receiving transfer of stock                                   | 12       | 5     |
| rights of, to receive dividends, restricted                                   | 36       | 16    |
| rights of, to sell stock, restricted  | 36       | 16    |
| securities for loans required from  | 37       | 16    |
| vote of, by proxy   | 38       | 16    |
| vote, when not entitled to  | 38       | 16    |
| Shares of stock personal property   | 12       | 5     |
| transfer of   | 12       | 5     |
| Signatures of officers of association to appear on notes                      | 18       | 7     |
| Treasurer and Register upon   | 18       | 7     |
| Solicitor of Treasury to supervise suits under this law                       | 55       | 23    |
| Spurious notes, penalty for having, uttering, &c.                             | 57       | 23    |
| State banks and others, organization of, under this law                       | 61       | 25    |
| Statement to accompany declarations of dividends                              | 45       | 19    |
| to be made under oath   | 45       | 19    |
| to be transmitted to Comptroller  | 45       | 20    |
| Stationery, &c., of Bureau, Comptroller to furnish                            | 3        | 2     |
| Stock, delinquent, how disposed of  | 8        | 3     |
| when consent of directors for transfer of, required                           | 36       | 16    |
| Suits under this act, Solicitor of Treasury to supervise                      | 55       | 23    |
| Surrender of bonds of United States to associations, terms of                 | 30       | 13    |

|   | Section. | Page. |
|---|----------|-------|
| <b>T.</b>   |          |       |
| Tax of issues one half of one per centum semi-annually as modified . . . . .      | 19       | 7,33  |
| Term of office of Comptroller of Currency . . . . .                               | 1        | 1     |
| Deputy Comptroller . . . . .  | 1        | 1     |
| Transfer of stock, consent of directors required, when . . . . .                  | 36       | 16    |
| Transfer of United States bonds by associations to Treasurer, amount of . . . . . | 15       | 6     |
| by associations to Treasurer, how made . . . . .                                  | 21       | 8     |
| from associations by Treasurer, how made . . . . .                                | 21       | 8     |
| from associations to be recorded . . . . .  | 22       | 9     |
| Treasurer of United States, retransfer of bonds by . . . . .                      | 21       | 8     |
| signature of, to appear on notes . . . . .  | 18       | 7     |
| to have access to books of Comptroller . . . . .                                  | 22       | 9     |
| to receive and hold bonds in trust . . . . .                                      | 15       | 6     |
| to reserve one-half of one per centum semi-annually as modified . . . . .         | 19       | 7,33  |
| Treasurer, Solicitor of the, to supervise suits under this act . . . . .          | 55       | 23    |
| <b>U.</b>   |          |       |
| Uncurrent money, associations forbidden to pay out . . . . .                      | 48       | 21    |
| United States bonds defined . . . . .   | 4        | 2     |
| transfer of, by associations to Treasurer of United States . . . . .              | 21       | 8     |
| transfer of, from associations by Treasurer . . . . .                             | 21       | 8     |
| Usury by associations . . . . .   | 46       | 21    |
| Utterance of forged, counterfeit, &c., notes . . . . .                            | 57       | 23    |
| <b>V.</b>   |          |       |
| Vacancy of directors, how filled . . . . .  | 40       | 17    |
| Valuables, note-plates, &c., to be kept in fire-proof vaults . . . . .            | 3        | 2     |
| Vaults, fire-proof, to be assigned to Comptroller . . . . .                       | 3        | 2     |
| Vice-president of association . . . . .   | 18       | 7     |
| Visitor of association, appointment of . . . . .                                  | 51       | 22    |
| compensation of . . . . .   | 51       | 22    |
| compensation of, payment of . . . . .   | 34,51    | 15,22 |
| Void, acts of association prejudicial to creditors, when . . . . .                | 49       | 21    |
| Votes, number of, shareholders entitled to . . . . .                              | 38       | 16    |
| regulation of, by proxy . . . . .   | 38       | 16    |
| when shareholders to lose their . . . . .   | 38       | 16    |
| <b>W.</b>   |          |       |
| Withdrawal of capital by association forbidden . . . . .                          | 44       | 19    |

| I    |   | II   |   | III  |   | IV   |   | V    |    | VI   |    | VII  |    |
|------|---|------|---|------|---|------|---|------|----|------|----|------|----|
| 1    | 2 | 3    | 4 | 5    | 6 | 7    | 8 | 9    | 10 | 11   | 12 | 13   | 14 |
| 1.00 |   | 1.00 |   | 1.00 |   | 1.00 |   | 1.00 |    | 1.00 |    | 1.00 |    |
| 0.99 |   | 0.99 |   | 0.99 |   | 0.99 |   | 0.99 |    | 0.99 |    | 0.99 |    |
| 0.98 |   | 0.98 |   | 0.98 |   | 0.98 |   | 0.98 |    | 0.98 |    | 0.98 |    |
| 0.97 |   | 0.97 |   | 0.97 |   | 0.97 |   | 0.97 |    | 0.97 |    | 0.97 |    |
| 0.96 |   | 0.96 |   | 0.96 |   | 0.96 |   | 0.96 |    | 0.96 |    | 0.96 |    |
| 0.95 |   | 0.95 |   | 0.95 |   | 0.95 |   | 0.95 |    | 0.95 |    | 0.95 |    |
| 0.94 |   | 0.94 |   | 0.94 |   | 0.94 |   | 0.94 |    | 0.94 |    | 0.94 |    |
| 0.93 |   | 0.93 |   | 0.93 |   | 0.93 |   | 0.93 |    | 0.93 |    | 0.93 |    |
| 0.92 |   | 0.92 |   | 0.92 |   | 0.92 |   | 0.92 |    | 0.92 |    | 0.92 |    |
| 0.91 |   | 0.91 |   | 0.91 |   | 0.91 |   | 0.91 |    | 0.91 |    | 0.91 |    |
| 0.90 |   | 0.90 |   | 0.90 |   | 0.90 |   | 0.90 |    | 0.90 |    | 0.90 |    |
| 0.89 |   | 0.89 |   | 0.89 |   | 0.89 |   | 0.89 |    | 0.89 |    | 0.89 |    |
| 0.88 |   | 0.88 |   | 0.88 |   | 0.88 |   | 0.88 |    | 0.88 |    | 0.88 |    |
| 0.87 |   | 0.87 |   | 0.87 |   | 0.87 |   | 0.87 |    | 0.87 |    | 0.87 |    |
| 0.86 |   | 0.86 |   | 0.86 |   | 0.86 |   | 0.86 |    | 0.86 |    | 0.86 |    |
| 0.85 |   | 0.85 |   | 0.85 |   | 0.85 |   | 0.85 |    | 0.85 |    | 0.85 |    |
| 0.84 |   | 0.84 |   | 0.84 |   | 0.84 |   | 0.84 |    | 0.84 |    | 0.84 |    |
| 0.83 |   | 0.83 |   | 0.83 |   | 0.83 |   | 0.83 |    | 0.83 |    | 0.83 |    |
| 0.82 |   | 0.82 |   | 0.82 |   | 0.82 |   | 0.82 |    | 0.82 |    | 0.82 |    |
| 0.81 |   | 0.81 |   | 0.81 |   | 0.81 |   | 0.81 |    | 0.81 |    | 0.81 |    |
| 0.80 |   | 0.80 |   | 0.80 |   | 0.80 |   | 0.80 |    | 0.80 |    | 0.80 |    |
| 0.79 |   | 0.79 |   | 0.79 |   | 0.79 |   | 0.79 |    | 0.79 |    | 0.79 |    |
| 0.78 |   | 0.78 |   | 0.78 |   | 0.78 |   | 0.78 |    | 0.78 |    | 0.78 |    |
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| 0.73 |   | 0.73 |   | 0.73 |   | 0.73 |   | 0.73 |    | 0.73 |    | 0.73 |    |
| 0.72 |   | 0.72 |   | 0.72 |   | 0.72 |   | 0.72 |    | 0.72 |    | 0.72 |    |
| 0.71 |   | 0.71 |   | 0.71 |   | 0.71 |   | 0.71 |    | 0.71 |    | 0.71 |    |
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| 0.67 |   | 0.67 |   | 0.67 |   | 0.67 |   | 0.67 |    | 0.67 |    | 0.67 |    |
| 0.66 |   | 0.66 |   | 0.66 |   | 0.66 |   | 0.66 |    | 0.66 |    | 0.66 |    |
| 0.65 |   | 0.65 |   | 0.65 |   | 0.65 |   | 0.65 |    | 0.65 |    | 0.65 |    |
| 0.64 |   | 0.64 |   | 0.64 |   | 0.64 |   | 0.64 |    | 0.64 |    | 0.64 |    |
| 0.63 |   | 0.63 |   | 0.63 |   | 0.63 |   | 0.63 |    | 0.63 |    | 0.63 |    |
| 0.62 |   | 0.62 |   | 0.62 |   | 0.62 |   | 0.62 |    | 0.62 |    | 0.62 |    |
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| 0.54 |   | 0.54 |   | 0.54 |   | 0.54 |   | 0.54 |    | 0.54 |    | 0.54 |    |
| 0.53 |   | 0.53 |   | 0.53 |   | 0.53 |   | 0.53 |    | 0.53 |    | 0.53 |    |
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| 0.38 |   | 0.38 |   | 0.38 |   | 0.38 |   | 0.38 |    | 0.38 |    | 0.38 |    |
| 0.37 |   | 0.37 |   | 0.37 |   | 0.37 |   | 0.37 |    | 0.37 |    | 0.37 |    |
| 0.36 |   | 0.36 |   | 0.36 |   | 0.36 |   | 0.36 |    | 0.36 |    | 0.36 |    |
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| 0.10 |   | 0.10 |   | 0.10 |   | 0.10 |   | 0.10 |    | 0.10 |    | 0.10 |    |
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| 0.05 |   | 0.05 |   | 0.05 |   | 0.05 |   | 0.05 |    | 0.05 |    | 0.05 |    |
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| 0.03 |   | 0.03 |   | 0.03 |   | 0.03 |   | 0.03 |    | 0.03 |    | 0.03 |    |
| 0.02 |   | 0.02 |   | 0.02 |   | 0.02 |   | 0.02 |    | 0.02 |    | 0.02 |    |
| 0.01 |   | 0.01 |   | 0.01 |   | 0.01 |   | 0.01 |    | 0.01 |    | 0.01 |    |
| 0.00 |   | 0.00 |   | 0.00 |   | 0.00 |   | 0.00 |    | 0.00 |    | 0.00 |    |





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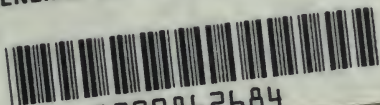
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